A HANDBOOK OF PRACTICAL ECONOMICS

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HANDBOOK OF PRACTICAL ECONOMICS

HANDBOOK

OF

PRACTICAL ECONOMICS

BY

J. SCHRIJVERS, C.SS.R.

TRANSLATED FROM THE FRENCH

BY

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TRANSLATOR'S NOTE

FATHER SCHRIJVERS' *Manuel d'Économie Politique* appeared first, in Brussels, in October 1907. The reception met with by this first edition, not in Belgium only, but in many other countries, and the rapidity with which it was exhausted, induced him to bring out a second edition, revised, added to, and brought up to the latest date, in June 1908. It is of the latter that the present volume is a translation.

Father Schrijvers' object in writing his book, as expressed in his own preface to the second edition, was "to popularise knowledge of the true principles of Political Economy; and, especially, to initiate young men called to spend their lives in social works into the science." With this view, he made the book as short as was consistent with a full statement of the various existing Schools of Political Economy, and wrote it in the form of a handbook such as would be suited both to private students and to those in colleges of various kinds, intending it to be used as a text-book by professors of the

subject. Further, he added to the text a most ample Sociological and Economic Bibliography, including writers of all nations, for the guidance of readers wishing to extend and deepen their studies.

Father Rutten, O.P., *Docteur en sciences sociales et politique*, and *Sécrétaire général des Unions professionelles Chrétiennes*, wrote prefaces to both editions of the work, highly recommending it for use "by Masters at Professional and Industrial Schools, by the Members of Students' Reading-Circles, and by Directors of Social Works," as well as by the clergy of all degrees.

The book either has been or is being translated into Dutch, Spanish, German, and Italian, and it is in the hope that it may be used in our own Islands in the manner desired by the author that an English version is now offered to the public. One of Father Schrijvers' best chapters is that in which he sets forth the principles of Socialism, in both its strict and its modified forms, and gives the arguments for and against it. Hence the present moment appears a singularly opportune one for the appearance of this Handbook, the Socialist question being so universally "in the air". The title *Practical* has been advisedly given to the work in its English form, one of its chief aims being to induce readers to put into practice the principles that it embodies, by taking an active share in sociological work.

Readers acquainted with the French original will notice slight abridgments, here and there, in the present translation:—*i.e.*, in one or two places where there appeared to be a little more repetition than was necessary, or rather fuller details of Belgian Institutions, etc., than would interest English students. On the other hand, a little information on English economic conditions has been added—chiefly in the form of notes—and the Bibliography has been slightly increased by the names of a few late English works or translations, so as to bring the English version up to date.

For these improvements, and for a most careful revision and correction of all technical terms throughout the book, the translator owes grateful thanks to Mr Leslie A. Toke, of Stratton-on-the-Fosse, who went in detail through the MS. before it was sent to press. His help has made the work far more likely to be useful and acceptable to English readers than it would otherwise have been. In many cases, the footnotes in square brackets should have been signed *Reviser* rather than *Translator*, the information contained in them having been supplied by Mr Toke.

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PART I

PRELIMINARY QUESTIONS

ECONOMIC SCIENCE IN GENERAL

For gaining a complete idea of *Political Economy considered generally*, it is necessary to define accurately

1. its essence, and

2. The existence that has been granted to it,—the place that it has occupied, or still occupies, both in the world of intellect and in the midst of society :—in short, its *history*.

This first part, then, will comprise two chapters :—

I. The Theory of Political Economy.

II. The three great Schools of Political Economy.

CHAPTER I

Theory of Political Economy

Cf. on this subject :—

Ch. Périn, PREMIERS PRINCIPES D'ÉCONOMIE POLITIQUE. Paris, Lecoffre, 1895.

V. Brants, LES GRANDES LIGNES DE L'ÉCONOMIE POLITIQUE, 4th Edition. Louvain, Peeters, 1904.

Antoine, S.J., PRINCIPES D'ÉCONOMIE POLITIQUE—INTROD. Trans. from Italian by Silvestre de Sacy. Paris, H. Oudin, 1894.

Hervé Bazin, TRAITÉ ELEM. D'ÉCONOMIE POLITIQUE. CHAP. I. 3rd Edition. Paris, Lecoffre, 1896.

Jos. Rambaud, ELEM. D'ÉCONOMIE POLITIQUE. 2nd Edition. Paris, Larose, 1896.

Ch. Devas, POLITICAL ECONOMY. Third Edition. London, Longmans, Green & Co., 1907.

Gius. Toniolo, TRATTATO DI ECONOMIA SOCIALE—INTRODUZIONE. Florence, 1907.

Scaloni, CAPITAL ET TRAVAIL. 3rd Edition, Liége, 1904.

ART. I

Definition and Division

I. (*a*) **Definition of the term.**—*Economy* is a term derived from two Greek words :—*οἶκος = house*, and *νομὴ = distribution*. According to this etymology, the word must have been first used to express the administration

of material family interests. From the family, its use was extended to the city (Gk. πολις), and lastly to the whole *nation.*

(*b*) **Definition of the theory.**—*Political Economy is the science that directs human activities in the department of the material interests of society.*

This definition is three-fold :—

1. *It is a science directing human activities.* As such, Political Economy has its place amongst the sciences whose object is to conduct man towards his end :—*e.g.* philosophy and moral theology.

It is, then, a *science*, and a *practical* one. (*v.* Art. II. *infra*).

2. . . . . *in the department of the interests of society.* Hence it is distinguished from all sciences that are not occupied with the good of *society*, but with that of individual members of society. Political Economy is, therefore, a *social* science ; and, like all social sciences, holds a dependent relation towards Ethics.

3. . . . . *in the department of the material interests of society.* Social science takes account of everything that concerns social good :—such as the public peace, respect for law, internal and external security, etc. ; whilst Political Economy bears only upon material interests, which form but one element in social good. Hence, it is not *the* social science, but only a *portion* of the whole science, just as are Law and Politics.

Political Economy, simply as a science, is based on *principles* ; but as a science that directs *human activities* in the sphere of *material interests*, it has a variable and contingent side. It must, therefore, be studied by a double method :—the deductive and the inductive.

II. **Division.**—(*a*) The most rational division of Political Economy appears to be that suggested by its own object :—*human activity in relation to the material well-being of society.* Now, we may distinguish four leading domains in which this activity is specially exercised.

1. Production.—Human activity, labour ; helped by

capital—by tools, instruments, machines, etc.—transforms matter, and so creates *a new utility.*

2. Exchange of Wealth or Circulation.—Human activity tries to make the riches produced pass from one hand to another, so as to *multiply these goods.*

3. Distribution.—Many factors have usually contributed to the production of wealth. It is the business of economic science to separate these various elements of human activity, and to show what part of the total product belongs to the capitalist, the entrepreneur, the owner, or the workman.

4. The Consumption of Wealth.—Human activity has produced a good, only in order to appropriate it directly or indirectly. This appropriation is made through consumption. Political Economy should define the laws that preside over the use of wealth.

(*b*) This division is not only the most rational, but also the one almost *universally* adopted by modern writers.* Further—which is no small advantage—it enables one, in dealing with so complex a subject, to make a clear statement of the various economic questions.

This book will therefore contain five parts :

I. Preliminary Questions, or Economic Science, Considered Generally.
II. Production of Riches.
III. Exchange.
IV. Distribution.
V. Consumption.

ART. II

To make the idea of Political Economy clearer, and more fully to substantiate it, it remains to develop

* Some writers treat of production and distribution together :—*e.g.* Gide, *Principes d'écon. polit.*—*Liberatore, Princ. d'écon polit.*—T. B. Say, *Traité d'écon polit.*

Others exclude the consumption of riches from Political Economy :—*e.g.* Turgot, *Réflexions sur la formation et la distribution des richesses.*

and prove the three points especially referred to in the first article.

To begin with, Political Economy is a practical science:—

I. **Political Economy is a science.**—In other words, *it presupposes principles, or economic laws.*

(*a*) STATEMENT.—To assert that Political Economy is a science, is to say that it rests upon laws; hence it is necessary to know what we mean by *laws.*

We may recognise three kinds of laws:—

1. *Obligatory moral laws.*—These govern the free acts of man as regards *virtue.* They impose a moral obligation, and are endowed with an absolute certainty.

2. *Historical or "directive" moral laws.*—These are the expression of the uniform mode of action of men under the same circumstances. They leave the liberty of man intact and impose no obligation upon him. The certainty accompanying these laws is only a moral certainty.

3. *Physical laws.*—These govern the action of bodies in relation to one another:—*e.g.*, the law of gravitation. They are naturally invariable, and give rise to a physical certainty.

There can be no question of basing economic science on physical laws: that would be the ruin of liberty and imply the denial of the evidence of economic facts.

On the other hand, it is certain that at the root of economic science we should find, and actually do find, obligatory moral laws:—the proof of which will be given in Art. III.

Here, we merely wish to prove that there do exist certain historical or "directive" moral laws, which are the foundation of Politicial Economy.

(*b*) **First Proof.**—There are certain laws, according to which Providence has governed human activity in its relation to riches: therefore Political Economy is a science.

This *premise* may be proved by *induction*, both *positively* and *negatively.*

(i.) POSITIVELY.—By observing economic facts, we ascertain that in *all* societies that have reached a certain degree of development the same means have been employed for augmenting riches: *e.g.*, association, division of labour, money, ownership, etc.; that where these are made use of society prospers; and that where these attain to their most perfect development — (the obligatory moral law being always respected) — there, also, society itself succeeds in obtaining for its members the greatest possible sum of genuine well-being.

Now, should we be able to discover this constant connection between the means employed and the end desired: —*e.g.*, material prosperity: —if such means had not *constant relations of cause and effect* in respect of the end to be obtained:—material well-being?

Observation, completed by induction, therefore compels us to acknowledge *constant relations* of cause and effect, in the economic world, between certain means and the immediate end of Political Economy.

These *constant relations we call principles or economic laws.*

(ii.) NEGATIVELY.—If there really exist *constant relations of cause and effect* between certain means and the end of Political Economy, suppression of the first will bring about failure of the second.

That this actually is so may be abundantly proved by facts, of which here are some examples. Many attempts have been made to raise or lower the price of certain commodities artificially, or otherwise than by the working of economic laws. Such attempts have always come to grief, even when supported by the powerful arm of the State. Such, notably, was the case of the *Convention*, which, in 1793, appointed a maximum price for a number of provisions:—grain, flour, wood, oil, salt, butter, cattle, etc.; but which, a year later, had to acknowledge itself in the wrong, and to recall its decrees, in order to save industry from total ruin.

Such, again, was the result of great efforts made by the United States to retard the depreciation of silver money in relation to gold. They ended only in compromising the Exchequer and in multiplying bankruptcies.

The defeat of the liberal school in the field of economics may also be ascribed to the same cause. It did not respect natural economic laws:—for example, those that favour *co-operation*, for which—in the name of liberty—it substituted *individualism*. The results of this were abject misery, oppression of the labourer, the breeding of socialism, and, under its sway, the formation of a co-operative system (collectivism) far more vast than the one that had been abolished.

Socialism, should it ever come uppermost, is equally destined for defeat in its economic reforms; not only because it will come into collision with the higher laws of morality, but also because it will violate certain minor laws in the economic order:—*e.g.*, what might be called the law of *self-interest*. Remove, by suppressing private property, that spur to labour which most men find so needful—and which is, moreover, lawful—and you will cause production to languish, if not to cease.

We may, therefore, conclude with certainty that Political Economy is based upon laws, and is a science.

(*c*) **Second Proof.**—To this argument, drawn by induction from observation of facts, we may add an *à priori* argument of the highest value to the Catholic economist.

Since the pursuit for material goods is, generally speaking, necessary to the attainment of man's last end, God—who adapts the means to the end—must have made this quest possible, and capable of success.

But how could He have made it capable of success if He had left it without rules or laws?

Hence, God has laid down laws by which the pursuit and the acquisition of material goods may be carried on.

This proof is confirmed by the following fact:—that in every case where a creature—whether rational or not—has an end to attain, He has prescribed laws and

rules :—*e.g.*, the physical and chemical laws that govern the world of irrational beings ; the laws of reasoning which guide the intellect in the search for truth ; the obligatory moral law that conducts man to the acquisition of moral good ; the laws of Government—of teaching—of strategy.

Now, if God has adapted the means to the end in every other sphere of His creatures' activity, we may conclude *à priori* that He has done so in that of the legitimate pursuit of material welfare by mankind.

Corollaries.—1. The proof of the preceding truth is directed against Socialists of every shade of opinion that can be assigned to one of three groups :

(i.) *The revolutionary Socialists*, who profess to believe that the existing economic world can be destroyed, and *without taking economic laws into account, can be entirely reconstructed* in such a manner as to give each citizen an equal share of social good.

(ii.) *Socialists of the Chair*, who make *the principle of organising force* in society, and consequently of social production, reside in the State *alone*.

(iii.) *Christian Socialists*, so-called, who hold that economic laws are *made of no account by the moral law*. According to them, morality, charity, love of justice, and respect for one's neighbour are enough to teach the secret of a good economic organisation.

2. Our mode of proving that Political Economy is a science clearly shows the gulf that separates the opinion of Christian economists from that of the *liberal economists*, and, again, from that of the *physiocrats*, (*v.* chap. ii., Art. I., p. 19, *infra*).

We, in short, prove the scientific character of Political Economy through observation helped by induction ; they deduct all economic laws *à priori* from human nature :—from the natural perfection of man, (chap. ii.). They confine themselves to the absolute—to abstractions—rejecting all observation of economic phenomena, and so exposing themselves to finding their theories lamentably contradicted by facts.

II. **Political Economy is a practical science.**—A science is called *practical* according to S. Thomas, (I., q. 79, *a.* II. ad. 2—and q. 14, *a.* 16), when it has for its immediate object a truth which *in its nature* inclines to action.

Political Economy realises this condition, for its immediate object is the activity of man in *the pursuit of material goods.* It concerns wealth, but only *in so far as it can be produced, exchanged, distributed, and consumed.* Now, to produce riches, to exchange, distribute, and consume them, are so many human actions capable of being wisely directed.

ART. III

Relations of Political Economy to Morals

Cf. on this subject :—

Don Sanda y Salvany, LE MAL SOCIAL. Paris, Lethielleu, 1890.

Rondelet, LE SPIRITUALISME EN ÉCONOMIE POLITIQUE, (*passim*), 2nd Edition. Paris, Didier et Cie, 1860.

Périn, LES DOCTRINES ÉCONOMIQUES DEPUIS UN SIÈCLE, 1882. DE LA RICHESSE DANS LES SOCIÉTÉS CHRÉTIENNES, 3rd Edition. Paris, Lecoffre, 1882.

Brants, LOIS ET MÉTHODES DE L'ÉCONOMIE POLITIQUE, 2nd Edition. Louvain, Peeters, 1887.

Liberatore, PRINCIPES D'ÉCONOMIE POLITIQUE.

I. **Preliminary remarks.**—(*a*) The connection of Political Economy with morals is denied by all socialist schools, and by many liberal economists :—Yves, Guyot, Block, Stuart-Mill, Richards, Bentham, Rossi, etc. However, a marked reaction has taken place of late in the liberal school against the separation of morals and Political Economy.

(*b*) Several Catholic economists : — Liberatore, de Pascal, etc.—going to the opposite extreme, profess to believe that economic science is not distinct from

morals, that it is one branch of them, and only a particular form of ethics. It seems nearer the truth to maintain with the greater number of Catholic economists—Cathrein, Brants, Costa-Rossetti, etc.—that it is really distinct from morals. In fact:—

(i.) Morals, or ethics, have for their proper object *Virtue: i.e.*, the activity of man directed towards his last end; political economy, on the contrary, has for its proper object *Utility: i.e.*, the activity of man pursuing material prosperity.

Now, sciences are distinguished by their proper objects.

(ii.) We know that Political Economy is based on economic principles proper to itself; and that a science which draws certain conclusions from principles not borrowed from any other science is distinct from all others.

II. **Proofs**—(*a*) Political Economy pursues *temporal good* by means of material welfare. But the idea of true happiness is furnished by morality. The mode of pursuing happiness, then, must largely depend upon the idea of happiness that morality supplies.

This proof is confirmed by experience. The mode of pursuing happiness by means of riches differs according to the kind of religion and morals adopted by a people. For instance, the economic doctrines of Christians differ from those of Socialists, because the morality of the latter places the last end and supreme happiness of man in the greatest possible sum of earthly enjoyment.

(*b*) Moreover, it is certain that all means should be subordinated to their end. Now, what is the pursuit of material well-being, but a means of helping man to tend towards his highest end, eternal happiness:—which is the object of morals?

(*c*) A third proof results from the above remark itself. We need look a very little way into the economic problem to ascertain the help towards its solution that is given by obedience to the moral law, and by the spur of duty, justice, and charity. It is *justice* that

supports credit, and ensures an equitable distribution of wealth. It is *charity* that diminishes the rigour of economic laws, soothes misery, and unites the upper and lower classes by direction and association. It is thanks to *renunciation* (a virtue preached only by Christian morality), that man overcomes the repugnance always inspired by hard labour; it is by *renunciation* in the form of *moderating desires* that man succeeds in economising and increasing capital—the indispensable element of production—and in restraining luxury and sensuality. It is *respect for the family*, and *love of chastity* which, joined to obedience and to the great law of work, can alone solve the formidable problem of population.

III. **Corollaries.** *(a).* Since, on the one hand, Political Economy so largely depends on morals, and since, on the other, true morality can be found in its integrity only in the Catholic Church, it belongs to the mission of the latter to put herself at the head of the *economico-social* movement.

(b) All politico-economic teaching that *opposes or neglects* the precepts of Catholic morality is *ipso facto* a failure, and incapable of pointing out the proper means for ensuring the material welfare of nations. "In a treatise on Politicial Economy," says the eminent Catholic economist, M. V. Brants (*Les grandes liignes de l'économie politique*, 4th Ed. Preface) "it is necessary to set forth the higher rules (of moral and religious science): to apply them to the matter in question; and, at every step, to demonstrate their necessary and productive supremacy."

ART. IV

Method in Political Economy

Cf. particularly on this subject:—

Brants, LOIS ET MÉTHODES DE L'ÉCON. POLITIQUE.

Castelein, MÉTHODE DES SCIENCES SOCIALES (Report of the 3rd Catholic International Scientific Congress at Brussels). Brussels, 1894.

Schmoller, L'ÉCONOMIE POLITIQUE. SA THÉORIE ET SA MÉTHODE (*Revue d'écon. politique*, 1894).

Devas, POLITICAL ECONOMY, EPILOGUE.

Camille Jacquart, STATISTIQUE ET SCIENCE SOCIALE, Brussels, Desclée, 1907.

I. Statement of Extreme Opinions

(*a*) PURELY DEDUCTIVE, OR DOGMATIC, METHOD.—This method chiefly belongs to the *liberal school* of Political Economy called the English, or Manchester, school. It has since been adopted by several French economists. The purely deductive method considers human nature in the abstract, and thence deduces immutable economic laws. We shall explain it in detail further on.

(*b*) INDUCTIVE METHOD.—This is followed:—(1) by all economists who form their conclusions, upon each nation, solely from historical, geographical, and physical observations. It constitutes the *historical*, or *ethical school* which chiefly flourishes in *Germany*. Its chief representatives are Roscher, Schmoller, Hildebrand, Kines, Schönberg, Held, etc. In *Belgium* its sole representative has been M. de Laveleye. It has been adopted in *Italy* by Luzzate, Lampertico, etc.; and in *England* by Cliffe-Leslie.

(2.) by the *Positivists* who, following Auguste Comte and Herbert Spencer, derive all sociology from observation of sensible facts and social phenomena. In the eyes of this school, all ideas, all speculations, all metaphysics, are chimeras. Society is a living organism, and develops itself by immanent laws. Sociology is but the history of this development, or evolution: this method is called the *Positivist method.*

3. By *Le Play* and his disciples *Delaire*, *Focillon*, etc. The peculiarity of this method of induction lies in its processes. These processes are:—(*a*) observation of

economic facts as they appear in the homes of working-class families; (*b*) appeal to social authorities:—*i.e.*, finally, to public opinion, to establish the importance of obedience to the Decalogue throughout society; (*c*) comparison with nations said to be prosperous, and habitually enjoying the advantages of peace; (*d*) commissions of enquiry.

The one character common to all these inductive methods is to deny that Politicial Economy is a science properly so-called, having fixed laws, and following undeviating rules in the pursuit of material welfare.

II. A true Method of Political Economy should be at once Deductive and Inductive

Proofs.—(*a*) The proper object of any science determines the method to be used in studying it.

As we have seen, the proper object of Political Economy is *human activity in the department of the material interests of society.*

The method to be followed in Political Economy should therefore be adapted to this human activity *as exercised in the sphere of material welfare.*

But this human activity has two quite distinct aspects. On the one hand, it has its origin in *an immutable human nature*, and consequently contains an *invariable* element; on the other, it has for its *end*, *changing* things depending upon varying circumstances of person, time, and place, and hence equally contains a *variable* element.

Consequently, the method to be followed in the study of economic science must be at once deductive and inductive.

(*b*) The authors who exclude the inductive method may be justly reproached with creating ideal societies incapable of realisation; as did Plato in his "Republic," Thomas More in his "Utopia," and Campanella in his "City of the Sun."

To those who profess to keep exclusively to the

Inductive method it may be objected :—(1) that they are ignoring the true nature of man, who is a being bound, even in the pursuit of riches, by immutable moral obligations : —a being endowed with an irresistible tendency to procure material goods for himself, and consequently subject to an invariable economic law.

2. We may further make answer to them that they are influenced by philosophical prejudices. The true reason, in fact, for rejection of the deductive method by many economists is their own view of the *mode of knowledge* in man. This is notably the case with the positivist school of Aug. Comte, which rejects *à priori* the possibility of knowing with certainty anything that lies beyond the experience of the senses.

Therefore, we must go to philosophy for the final refutation of this opinion. (*v.* Cardinal Mercier: *Critériologie générale ; et Origines de la Psychologie contemporaine*).

III. Function of the Two Methods

The need for using both these methods will be made clearer by a statement of the function assigned to each in Political Economy.

(*a*) Function of Deduction.—1. Deduction determines the *higher rules in the moral order* which man must follow, if he is not to fail in reaching his last end.

2. Reason, examining human nature, further discovers in it certain general tendencies :—as, *e.g.*, the tendency to procure material goods for itself, and to form associations with this object. From this it deduces the *primary purely economic laws.*

3. Lastly, combining these two kinds of rules—moral obligations and laws of simple economy—it constructs from them *practical principles of immediate application.*

(*b*) Function of Induction.—1. *Induction throws more light on the laws themselves.* It shows, by a study of facts, that *moral laws* are really efficacious in the very way in which the Christian Economist assumed *à priori*

that they would be, and thus furnishes the only proof of their truth and efficiency that the majority of mankind will now consent to accept. At the same time it discovers *economic laws*, or at least puts them in a stronger light.

It was thus that Le Play, by his inductive method, did an immense service to Political Economy in showing, by means of facts, the importance of the *Decalogue*.

2. *Observation of facts is necessary to the practical and seasonable application of general laws.*

This application must vary with the Institutions and customs already existing; it will differ according to the temperament, and even the prejudices, of each nation. It is by the patient study of facts—of the circumstances surrounding any particular state of society, of its past, etc.—that the economist will be able to seize upon the right opportunities for a reform, or a new economic organisation. Moreover, every economist—no matter how fully convinced himself of the utility of an Institution, will have inevitably to encounter indifference, and sometimes systematic opposition, so long as experience does not come to prove the excellence of his work. Such has been the history of nearly all our Labour Institutions:—of co-operation, pensions, insurances, savings-banks, etc.

CHAPTER II

The Three Great Schools of Political Economy

Cf. on this subject :—

Ch. Périn, LES DOCTRINES ÉCONOMIQUES DEPUIS UN SIÈCLE.

V. Brants, LES GRANDES LIGNES DE L'ÉCON. POL., liv. viii.

Jos. Rambaud, HISTOIRES DES DOCTRINES ÉCONOMIQUES. 2nd Ed. Paris, Larose, 1902.

Hervé-Bazin, TRAITÉ ÉLEMENTAIRE D'ÉC. POLIT.—COUP D'ŒIL SUR LES ÉCOLES D'ÉCON. POLIT. EN BELGIQUE. *Revue Générale*, 1899.

Hector Denis, HISTOIRE DES SYSTÈMES ÉCONOMIQUES ET SOCIALISTES. Paris, Giard et Brière, 1907.

Albert Schatz, L'INDIVIDUALISME ÉCONOMIQUE ET SOCIAL. Paris, Colin.

Preliminary Remarks.—I. Economic science, as has been proved in chapter I., is a *distinct* science. But everyone is agreed that it appears as such only towards the end of the 18th century* when Adam Smith was its chief pioneer (1723-1790). We shall therefore not speak here of anything before that period. (*v.* on "Political Economy in the Past," Alban

* The mediæval philosophers, by the economic and social teaching disseminated throughout their works, have had great influence on the third great school of the present day which we shall have to describe. *Cf.* Brants, *Théories économiques aux xiiime et xivme siecle.*—Louvain, Peeters, 1895.

de Villeneuve, *Histoire de l'écon. politique.* — Hervé Bazin, l.c., etc.)

II. The idea contained in Political Economy itself forms the basis for dividing its history. Political Economy is the science *which directs human activity* in the sphere of the material interests of society. But what imparts this direction to human activity? There are only three possible solutions, all of which have been adopted. Either it is human nature itself, free of all obstacle (*economic liberalism*); or it is the State (*socialist school*); or it is free human nature and the State, together, that direct man's activity in the sphere of material interests (*Catholic economic school*).

The divisions of this chapter, then, are clear:—

Art. I. Liberal School of Political Economy.
Art. II. Socialist School of Political Economy.
Art. III. Catholic School of Political Economy.

ART. I

Liberal School of Political Economy.

Cf. on this subject:—

Périn, LES DOCTRINES ÉCONOMIQUES, ch. 2.
Roscher, GESCHICHTE DER NATIONALÖKONOMIE IN DEUTSCHLAND. Munich, Oldenburg, 1874.
V. Brants, LOIS ET MÉTH. DE L'ÉCON. POLIT.
A. Smith, WEALTH OF NATIONS, vol. ii., bk. iv. London, Oliphant, Anderson & Ferrier.
J. B. Say, COURS COMPLET. Part 4. Brussels, 1837.
J. Deschamps, LA CONCEPTION SOCIALE DES PHYSIOCRATES D' APRÈS MERCIER DE LA RIVIÈRE. (Rev. Soc. Cath., 1903, pp. 257, 292).
F. le Play, LA RÉFORME SOCIALE EN FRANCE. 6th Edition. Tours, Mame et fils, 1878.
Edm. Bouchié de Belle, FRÉDERIC LE PLAY, SA METHODE ET SA DOCTRINE. (36e fascicule de la Science Sociale). Bureau de la Science Sociale.

Joseph Garnier, TRAITÉ D'ÉCON. POLIT. SOCIALE OU INDUSTRIELLE. 10th Edition. Paris, Garnier frères, 1907.

Michel Chevalier, ÉTUDE SUR ADAM SMITH ET L'ORIGINE DE LA SCIENCE ÉCONOMIQUE. *Journal des économistes.* Third series, vol. 33.

I. Statement

Economic liberalism contains several groups with different tendencies. Still, all its partisans acknowledge certain general principles.

1. VARIETIES.—(*a*) *The Physiocrats.**—The physiocrats were the economists who gave birth to the philosophy of the 18th century. Their theories are based on the doctrine of J. J. Rousseau, and particularly on the principle that, human nature being innately good, its tendencies will also be good. There is nothing, therefore, to be done but to follow these tendencies *on every field*, and *into every department of human activity*. The whole theory is summed up in Vincent de Gournay's formula:—*laissez faire, laissez passer.*

The formula is general. The physiocrats extend it to the whole social system.

The principal physiocrats are Quesnay, Dupont de Nemours, Mercier de la Rivière, Morellet, the Marquis de la Mirabeau, Le Trosne, Saint Péravy, and Louis xvi's. minister, Turgot.

(*b*) *Adam Smith*, (1723-1790). He published, in 1776, his *Inquiry into the nature and causes of the wealth of nations.*

The English economist, in this book, draws his inspiration from the theories of the physiocrats. He differs from them, however, both as to their *method*, which he would make less *à priori*, and as to their *doctrine*, which he would have less "libertarian" and

* The word *physiocratie* is found for the first time as the title of a book by de Quesnay, published by Dupont de Nemours.

individualistic. But these are only slight modifications. The impression left by a study of his boook is that he is clearly in favour of liberal principles; and, further, the end that he had in view was *to construct a system of political economy with liberty for its basis and the law of interest for its motive.*

The physiocrats embrace the whole social order, whereas Adam Smith concerns himself only with social economy. *Hence he is the first to make of it a distinct science.*

(c) *Classic Liberal School.* Adam Smith had disciples. The chief one in England was *Ricardo* (1772-1823), who is the real head of the English school. He pushed the system of *à priori* deductions to its extreme consequences. We may also name, in England, *Malthus*, famous for his *Essay on the Principle of Population.*

In France, Adam Smith's teaching, with very slight variation, was spread by J. B. Say (1767-1832), by Rossi, Cherbuliez, Bastiat, etc.

Economic Liberalism had the field to itself for the whole of this period. It became the official, orthodox and — as they chose to name it — *classical* school. In 1848, it gained the upper hand in the struggle between protection and free-trade, thanks chiefly to Richard Cobden and John Bright, supported by Robert Peel.

This economic liberalism is often known as the *Manchester School*, though the latter really forms only one special branch of the whole liberal school.

Even in modern liberalism, an important fraction is still guided by these absolute principles. This consists of the irreconcileable liberals, whose chief representatives are Joseph Garnier, Molinari, Léon Say, Maurice Block, Yves Guyot, Courcelle, Seneuil, etc.

(d) Moderate Liberal School. An important reaction had inevitably to take place against the "classic" economic liberalism. In practice, its principles had had disastrous consequences from the industrial and humanitarian points of view. A certain number of

economists, while faithfully maintaining the fundamental principles of the orthodox school, thought it better to apply them less rigorously. Thus, as a remedy for the worst evils of free-trade, they recommend slight State intervention; to correct abuses born of ignoring the laws of religion, they turn for help to the principles of morality; and lastly—vanquished by the evidence of facts—they would give freer play to observation and induction.

The chief representatives of this moderate liberalism in the economic field are F. E. Cairnes, Thorold Rogers, Leroy-Beaulieu, Levasseur, Baudrillart, Emile de Laveleye.

Such are the principal groups of the liberal school. Before refuting it we will sum up, under two heads, the doctrines held, with little or no modification, by *all* liberal economists.

II. The Common Doctrine.—(*a*) Man is essentially good (J. J. Rousseau): therefore all his tendencies are also good. Now, in the domain of material interests, man is conscious within himself of a peculiar, irresistible tendency to seek his own personal interest *without limit* (self-love, self-interest, selfishness).

Unlimited search for material welfare, then, is the sole principle that should guide man in the sphere of economies. This principle is summed up in the formula *enrich yourself*. It gives unimpeded liberty as regards the object to be pursued.

(*b*) Man is essentially good (J. J. Rousseau); therefore all his tendencies are also good. Consequently, to make certain of attaining the *object pursued*—*e.g.*, riches—there is nothing to do but to follow a natural tendency.

And, since every man is endowed with the same nature and the same tendency, all men, by following their natural bent in the search for riches, will find their own material prosperity.

Give, then, to each individual, full liberty as to the *mode* of pursuing his personal interest, and the *best possible social condition* will spontaneously ensue.

The formula summing up this second point is : *Laissez faire : laissez passer.*

It sanctions unlimited * individual liberty as to the *method* of pursuing riches.

II. Refutation

I.—Falsity of Rousseau's Fundamental Principle.—The double economic law of liberalism is deduced from J. J. Rousseau's proposition : *man is essentially good : hence all his tendencies are also good.*

It seems almost superfluous to prove that this proposition is false ; for :—

(*a*) Who could sincerely allow that man, in indulging the tendencies of passions that move him, is acting rightly ?

(*b*) Who will really believe that the whole human race is in the wrong, when it pursues those who satisfy their perverse instincts (*i.e.*, what Rousseau calls " their natural tendencies ") with its contempt, and keeps all its admiration and respect for those who know how to control them :—for just those who, according to Rousseau, are acting wrongly in resisting good tendencies ?

(*c*) Lastly, our Christian faith, which must be the foundation of all economic science, distinctly teaches us that our human nature is not essentially good, but has been marred by the original fault whose lamentable consequences are always with it.

II. Illogical Method of the Liberal School.—The illogical method of the liberal school consists in viewing human nature only in the abstract, and hence incompletely.

(*a*) *As regards their first law.*—Man, being a complete whole which must tend towards its supreme end—eternal happiness,—has received from God the tendency

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* We say *unlimited* because, in fact, *moderate* free-trade is lawful. See further on, Part 3, Chap. iii., Art. i. :—*Free-trade and Protection.*

to acquire for himself the sum of material goods necessary for reaching this end.

He may follow this tendency, but only *in so far as it is necessary and useful for the attainment of his last end*; hence, it must be held in check by all *higher laws*, observance of which is indispensable towards the acquisition of man's supreme end. Now, the liberals consider man merely in an *abstract* way, and only as tending towards his material end "the economic man"; and, *as such*, they draw up *practical, concrete*, rules of action for him, as if he had no other end to attain.

In doing this, they transgress both against plain common sense, by ignoring the true nature of man, and against an elementary rule of logic which forbids us to apply to the concrete order what has only been affirmed of the abstract.

b) As regards their second law.—Supported by Rousseau's principle, the liberal school asserts that as every man possesses a natural tendency to pursue his personal interest, so each man has only to follow this tendency for all men to be happy.

1. Assuming this to be correct, the following conclusion results:—all men, considered *in the abstract as individuals*, bound together *by no social tie*, will be happy. Now, in point of fact, man is not merely an individual:—or, if you will, the whole of humanity is not a mere *collection* of individuals. No:—man, by his very nature, is a *social* being, having natural and inviolable relations towards other men.

2. Yet further, personal interest exclusively followed must inevitably produce the contrary of *social* good. The reason for this is simple. Social happiness and social amalgamation pre-suppose a unifying principle; whilst personal, exclusive interest—the selfishness that tends by its nature to separation—cannot but loosen social ties, divide classes into opposite camps, and even separate and cause dissension amongst individuals.

III. Proof taken from Observation of Facts

(*a*) "Self-interest—the desire of riches for oneself—such is the sole motive of Political Economy."

Such is the *primary basis* of the liberal teaching. Now, experience protests against this assertion. Activity, in the economic order, has other motives. Jealousy—ambition—hatred—a desire to rule and to spend, etc.—often influence human activity in the pursuit of wealth.

(*b*) As to their *second principle*:—Liberty in the *method* of acquiring riches—free trade, free competition, etc.,—facts have gone cruelly against them.

Almost every writer on the subject gives lists of evils caused by economic liberalism. Suffice it, here, to say that it is these disastrous consequences that have given rise to the Social Question; that have reduced the workman to an unmerited state of misfortune and wretchedness (*v. Encycl. Rerum nov.*); and that have caused war between the capitalists and the proletariat, thus giving birth to socialism.

Conclusion.—It was this false principle of absolute liberty that brought about trouble and destruction in the sphere of Religion, by proclaiming religious individualism: -Freethought Protestantism and Rationalism).

It was the same false principle which, extending its ravages to the sphere of politics, caused the Revolution to break out under pretext of political individualism, founded upon equality of individual rights.

Lastly, this false and absolute liberty finished its destructive work in the sphere of politics, by preaching everywhere economic individualism:—*i.e.* the pursuit of purely individual interests.

Freethought (in the religious order) *free contract* (in the political order) *free production and free-trade* (in the economic order):—such is the *résumé* of liberalism in its various forms, as founded upon the independent supreme dominion of human nature. Man exempts himself from the order established by God, for he

refuses to acknowledge the relations that bind him to God and society, and his revolt can produce naught but ruin and disaster. Peace and Prosperity, said St Augustine, are found only in Order: —"*Pax est tranquillitas ordinis.*"

ART. II

Socialist School of Political Economy

Cf. on this subject:—

Encycls. of Leo. XIII, QUOD APOSTOLICI and RERUM NOVARUM.

Cathrein, SOCIALISM. (Translation of Fr J. Conway, S.J., revised and enlarged by V. F. Gettelmann S.J.). New York, Benziger Bros., 1904.

—— LA PROPRIÉTÉ FONCIÈRE PRIVÉE. (Trans. from German by C. Fritsch). Louvain, A. Uystpruyst, 1894.

Castelein, LE SOCIALISME ET LE DROIT DE PROPRIÉTÉ. Paris, Retaux 1897.

Destrée et Vandervelde, LE SOCIALISME EN BELGIQUE. 2nd Edition. Paris, Giard et Brière, 1903.

Nicotra, LE SOCIALISME. (Trans. from the Italian by L. J. Lalien). Paris, Palmé, 1890.

Winterer, LE SOCIALISME CONTEMPORAIN. 4th Edition. Paris, Lecoffre, 1901.

De Laveleye, LE SOCIALISME CONTEMPORAIN. Paris, 1883.

Antoine, COURS D'ÉCONOMIE SOCIALE. Chap. IX.

Godts, SCOPULI VITANDI. 3rd Edition. Tournai, Desclée, 1896.

Costa Rossetti, PHIL. MORALIS. 2nd Edition. Innsbrück, Rauch, 1886.

Defourny, L'ATTITUDE DU SOCIALISME BELGE À L'ÉGARD DE LA RELIGION. (*Rev. Soc. Cath.*, 1906, pp. 176, 237).

Thonissen, LE SOCIALISME DANS LE PASSÉ. Brussels, 1850.
——— LE SOCIALISME ET SES PROMESSES. Paris, 1851.
Sertillanges, SOCIALISME ET CHRISTIANISME. Paris, Lecoffre, 1905.

Preliminary Remarks.—Socialism is connected closely, and in numerous ways, with Liberalism.

(*a*) *In the moral and dogmatic order.*—Liberalism (1) falsifies the idea of man's last end. It has taken away the hope of heaven from mankind, and given him the unlimited search for earthly pleasures as the supreme object of existence. It has thus roused, in the hearts of those unfavoured by fortune, an insatiable passion for enjoyment, and a hatred for whatever opposes their cupidity. (2) It has falsified the idea of civil society and authority. It has proclaimed that all power comes from the people; and they have hence concluded that, whenever they should get the upper hand, they might *lawfully* upset the established order of things, and build upon its ruins the collectivist state.

(*b*) *In the economic and political order.*—Liberalism has (1) destroyed the old corporations and installed in their place *economic* individualism. It has proclaimed liberty of exchange and of contracts. In this way it has first isolated the workman, and then plunged him into misery by giving him up to the mercy of unscrupulous exploiters. Now, from universal discontent to the Socialism that embodies it is but a short step. (2) Liberalism has not been satisfied with furnishing grievances for Socialism by the *political* institutions born of its influence—*e.g.*, by certain existing public liberties; it has also furnished demagogues with an effectual means of organising discontented mobs, and setting them to make war upon the whole social order.

Such are the close relations between Liberalism and Socialism. We may conjecture from them what the

nature and the *radical vice* of the latter will be :—and these must now be set clearly forth.

I. Account of Socialism *

(A) **As based upon Ideas.**—We may distinguish undisguised and complete Socialism from mitigated, indirect, and partial Socialism.

1. SOCIALISM PROPERLY SO-CALLED, OR COLLECTIVISM.—(*a*) Socialism is *a system of political economy reducing all means of production to common property inalienable from the State, to which it leaves the care of organising collective production and the distribution of riches.*

In all Socialism properly so-called there will, then, be found these two characteristics :—

1. Nationalisation of the means of production.

2. *Organisation by the State* of *production* and of the *distribution of riches.*

(*b*) From this definition, and from the statements made by socialists in their books and pamphlets, in their meetings, their congresses, and even in the streets and clubs, it is easy to infer :—

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* We do not speak here of *anarchism*, because it does not form an economic school. It bears several points of resemblance to *socialism*, of which it is, so to speak, the extreme section. The chief aim of anarchism and of socialism : *—hatred of the priest and the rich* :—is the same, but their means of attaining the end differ. The anarchists have recourse to violence and bomb throwing :—their work is underground and mysterious, and appears only in its sanguinary results, as witness some of their "feats of arms" : such as their attempts on the lives of President Carnot, the Spanish Prime Minister Canovas, the Emperor Alexander II, the Empress Elizabeth of Austria, King Humbert, and Alphonsus XIII. Its chief representatives are Bakourine † and Kropotkin, both Russians by birth ; the German Most ; the Austrian Stellmacher ; and the French Elisée, Reclus, Paul Brousse, and Guillaume. *Cf.* the history of anarchy in the authors herein cited, especially in *Winterer.*

† [Nevertheless, a clear distinction must be drawn between the revolutionary physical force doctrines of Bakourine and his school, and the revolutionary philosophic anarchism of Kropotkin and Reclus. Trans.]

1. What the new order of things destined for us by the socialists, when they are masters, will be.

2. The way in which the new Socialist State will be governed.

1. (i) They will begin by dispossessing the capitalists. All their productive goods: buildings, machines, factories, and even raw material, will become the inalienable property of Civil society.

(ii) This Civil society will be purely democratic. All privilege, and all social inequalities, will disappear.

(iii) The People, by universal suffrage pure and simple, will choose its own magistrates and control their jurisdiction, thus keeping for itself all legislative and judicial rights.

2. (i) *Production.*—It will be the business of the authorities chosen by the people to organise general production. They will therefore have to decide both quantity and quality of things to be produced, taking great care to avoid over-production. They will have to fix the amount of work to be done by everybody, taking care that its duration shall be equal for all. They will also have to see that no citizen escapes his share of the common labour.

(ii) *Distribution.*—This will also be arranged by the authorities. The products of the common labour will be gathered in the stores or granaries of the State. The authorities will then distribute his share to each: —as some will have it, according to the quantity and quality of the work supplied;—as others say, according to the needs or poverty of each. Or else, the authorities will present coupons, certifying the amount of work done, by means of which everyone will be able to draw upon the common *depôt* for whatever commodities he needs for his support.

(iii) The things thus distributed may be freely *consumed*, or employed, at each person's pleasure.

II. Various Forms of Modified Socialism. — (*a*) *Agrarian Socialism.* Some authors, such as Emile de Lavelye, Henry George, etc., would not have ex-

propriation applied to *all* means of production, but only to the land and the soil. The means they propose for reaching this result is confiscation by the State of *rents from land.*

(*b*) *Neo-collectivism.* Vandervelde, the leader of the socialist party in Belgium, in order to get hold of the rustics and small manufacturers, declares (*Le Socialisme en Belgique*, p. 270) that "collective appropriation is not enjoined on us in the interests of society, except in those branches of industry where concentration of capital has caused small properties, established by labour, to disappear." "Collectivism will therefore be entire only if petty industries and small trading should one day disappear altogether." In France, Jaurès propagates the same modified ideas of collectivism.*

(*c*) *State Socialism.*—There is one socialistic idea according to which the State interferes, without any legitimate motive, in matters of private interest. This intervention may be hardly perceptible, or it may control the economic activity of a whole nation, in every department. Between these two extremes are numerous shades of opinion, but in all may be remarked the tendency of the State to exert its action unlawfully in the domain of private business:—which is indeed the characteristic of all Socialism.

(*d*) *Socialism of the Chair* (*Germ. Katheder-socialisten*). This is the name given to a group of German economists who display socialistic tendencies in their teaching. The chief are Roscher, Knies, and Schmoller; all belong to the *historical school.* They maintain that equity is not observed in the distribution of wealth; and that, to bring this about, recourse must be had to State intervention.

(B) **As based on Facts.**—The place that Socialism has won for itself in the field of economics, within a half century, is considerable. It is impossible, in

[* *Cf.* for both these Schools the doctrines of the English Fabian Society. *Trans.*]

a mere manual, to give a complete history of this growth: it must suffice to trace the broad outlines. The action of Socialism was at first isolated and local; it became international later on.

FIRST PHASE

Local Action of Socialism.—The *isolated* and *local* action of Socialism revolves, in different countries, round certain noted persons, of whom the chief are:—*The Count de St Simon*, father of modern socialism, who was born and died in Paris (1760-1825). He hardly goes beyond the field of pure speculation, and is content merely to show that the workers, who have hitherto taken the lowest place in society, must in future take the highest. He borrows the principle on which he founds this demonstration from the liberal economists of his day:—that labour alone is the foundation and source of all value, and consequently of all wealth. His work was completed by his disciple *Bazard*, who, as the practical means of carrying out his master's teaching, advises the transformation of the laws of inheritance. The State is to become the universal heir, and is to divide all goods, taking into account not consanguinity but desert.

Charles Fourier (1772-1837), about the same time, conceived another system:—that the passion for enjoyment is natural to man, and therefore good. All human actions, he says, obey one single law:—the attraction of Passion, which corresponds to the material attraction that governs the heavenly bodies. If man could satisfy all his passions he would be perfectly happy.

Unfortunately, however, the realisation of this ideal is hindered by the existing plan of society; therefore, we must find some form of social life in which all the attractions of passion may be satisfied. In the department of economics, the means of attaining this will be organisation of Labour. All proprietors, whilst keeping their right of ownership, will work their possessions in

common. They will unite in *phalanxes* of about 1800 members:—men, women, and children; they will be lodged in a building called a *phalanstery;* each one will choose his own work—the time to be given to it—his companions, etc. In this way work will become a pleasure, because it will proceed from the *passionate attraction*. Fourier attempted a colony on this plan at Condé-sur-Vesgre, but his scheme failed.

Robert Owen (1771-1858) propagated socialist ideas in England. He proclaimed the irresponsibility of man, thus upsetting all political and religious institutions based upon the principle of responsibility. He established a certain number of co-operative societies, whose functions he regulated down to the smallest detail. Most of his socialistic undertakings, in England and America, ended in failure.

Etienne Cabet (1786-1856), who was born at Dijon and died in the United States, set forth his communistic theories in various works, especially in his *Voyage en Icaire*—and put them to the test in his attempt at colonisation in *Icaria*, Texas, in 1848. Like all his predecessors, he failed.

Louis Blanc (1811-1882) who was born in Madrid and died at Cannes, brings to light another basic principle of socialism. Everyone, he says, has a right to live. Now, to support life we must work; therefore, all have a right to work. Becoming a member of the provisional French government in the revolution of 1848, he caused a decree to be signed in which the government undertook to establish *national work-shops*, which—following Louis Blanc's principles—should guarantee support to the workman by labour, and suitable lasting occupation to every citizen.

Lastly. *Proudhon* (1809-1865), by his impious harangues and his blasphemies, brought out the irreligious and atheistic character of Socialism. "Property is theft," he wrote; "God is evil." In the revolution of 1848 he played a political part, and gained many partisans. His socialistic writings are numerous,

and for many of them he was prosecuted. In his *Theorie de l'impôt*, (1861) he recommends the imposition of a single tax on landed property, so as to make it gradually disappear, and thus to bring about the reign of collectivism.

Such, within about the same period, have been the chief representatives of Socialism in France and England; but Germany could not remain aloof from a movement that was invading all Europe, and for her it was reserved to give its *scientific* character to Socialism. This was the work undertaken by *Rodbertus* (1805-1875), and more fully by *Karl Marx*, who was born at Trèves of a Jewish family and died in London (1818-1883).

Karl Marx exercised an enormous influence on the course of Socialism, by his theory on the *Exchange-value*,* by his decisive intervention in the establishment of the *Internationale* in 1866, and by his *materialistic conception of history*.†

The basis being changed, everything else;—political forms, morals, religion, the family, principles of law:—will become insensibly transformed, under pain of disappearing. Further, under the guise of a *general rule*, Economics will regulate the development of religious, moral, æsthetic, intellectual, and social life.

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* His system will be explained and discussed farther on.

† The originality, and also the seductive power of this theory consists in turning completely upside down the traditional conception of history, and substituting for it an entirely new theory with Economics alone for its basis. The whole structure of civilisation is built up upon economics. To do away with existing civilisation, we have only to transform the existing *régime* of property. Contemporary society is divided into two great classes, which are at war with each other:—the capitalist class and the proletariat. The sole cause of their antagonism is the *individual* ownership of capital (the means of production and exchange) by the former of these two classes. Replace this individual possession by *collective* ownership, and you do away with all cause for this antagonism, which lies at the root of the existing state of things; and by this very act you lay the foundation stone of a new civilisation.

These doctrines are set forth in the "Communist Manifesto" of 1847, and in Marx's writings:—*Misère de la Philosophie; Zur kritik der politischer eckonomie;* and his chief book *Das Kapital*, which, according to the author's plan, should have been in four volumes, of which two only were finished before his death.

Ferdinand Lasalle (1825-1864) popularised Marx's theories, and won in Germany numerous partisans, who proclaimed him "the workmen's King."

SECOND PHASE

International Action of Socialism.—Marx, in founding the *Internationale*, had ensured the existence and the spread of Socialism. By the end of 1866, it had made its influence felt not only in France, but in Switzerland, where six newspapers supported it; in Germany, where four Reviews placed themselves at its service; in England, Italy, Spain, and America. In Belgium, it made its views known by the *Tribune du peuple;* fomented the strikes of Charleroi; thence won over Holland—penetrated Austria—and entered into relations with the Trades Unions of England and America.

The *Internationale*, for lack of a broad and elastic organisation, disappeared in 1873; but the international socialism that resulted from it, survived. In spite of certain divisions that crept into the socialist ranks in Belgium, England, France and Germany—in spite of the warfare waged against it for eleven years in Germany, by the Iron Chancellor, Bismarck—Socialism has made steady progress from that time onwards.

This growing vitality is shown:—(*a*) *By the numerous international Congresses*, assembled at Ghent in 1877; in Paris in 1879, on the occasion of the general exhibition; at Brussels in 1891; at Zurich in 1893; in London in 1896; in Paris in 1900, etc. Most of the nationalities in Europe and America were represented at these Congresses. The meeting in Paris in 1879 counted 381 members, belonging to 22 nationalities, and

representing about a million working-men from all quarters of the globe. The congress at Brussels (1891) brought together 360 delegates, representing several millions of working-men.

(*b*) *By the power of the Socialist Press.* Socialism, having early foreseen that the Press would do more than anything else to propagate its views, made a business of circulating everywhere pamphlets, books, tracts, and above all newspapers and periodicals. In Germany, the socialist press brought out 70 political and 57 industrial papers in 1892. Austria, about the same time, numbered 8 big socialist papers. In Belgium, especially, the socialist press is solidly organised; but it is enough to mention the two chief journals, which give their tone to the other socialist publications:—*Le Peuple* (Brussels) and the *Vooruit* (Ghent).

Socialism also owns, in Belgium, its special Review:—*l'avenir Social*, founded in 1895; and has numerous popular libraries, established in the *Maisons du Peuple*.

(*c*) *By collectivist demonstrations, meetings, and reunions.* The most imposing of these demonstrations is that of May 1st, decreed by the Congress of Paris in 1889, and carried out for the first time in 1890. On that day, an important Socialist procession took place in nearly every capital and in the chief industrial towns.

Besides this annual demonstration of May 1st, the socialist party organises numerous meetings, processions, etc., on the occasions of strikes, of political discussions in Parliament, and even of funerals of important leaders. It is clever enough, especially in Germany and Belgium, to extend its propaganda to whole families—getting hold of the women and children, making them take part in its *fêtes* and demonstrations, and thus making its own influence more effectual.

(*d*) *By its electoral propaganda*, shown by the results to be both wide-spread and efficacious; for the socialists are represented in the Parliaments of most countries. In Belgium, for several years past, they have constituted about a fifth of the delegates to the Chambers. In

Germany, in 1900, the number of socialist deputies in the Reichstag was 57; in 1903 it was 79; but in 1907 it fell to 43. In France, Denmark, etc., they also form a considerable proportion of the legislative Chambers. Even distant Australia is undermined by Socialism. Since the elections of 1906, the House of Representatives has been composed of 32 liberals, 26 socialists, and 17 protectionists; and the Senate of 18 liberals, 15 socialists, and 2 protectionists.

(*c*) *By the economic organisations established by Socialism.* Socialism owes its stability to its economic organisations. Without these, its success would have been merely ephemeral, and based on a passing excitement. But by economic organisation it has managed to lay hold of the most personal and constant element in man: —his self-interest. In every country where Socialism has followers, it has multplied institutions; the federations, benefit societies, co-operative associations, Trades Unions, etc. — founded by it, are innumerable.

A constant tendency appears towards giving an international character to these organisations. Since 1899 there has existed in the General Council of the Belgian Labour Party a distinct section—the Labour Organisation Committee—having for one of its objects that of helping Trades Unions to establish relations with each other and with similar foreign Unions. We give in a note * some details of socialist organisation in Belgium,

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* The Belgian Labour Party, in 1900, consisted of twenty-six local Federations. The chief of these had their centres at Brussels, Ghent, Liège, Verviers, Louvain, Mons, Antwerp, Charleroi, Jolimont.

The Labour Party forms the sole socialist organisation in Belgium. Everywhere, the construction of local federations presents much the same features:—around a consumer's co-operative society are grouped benefit societies, Trades Union offices, and political clubs. The whole of this federal organisation is directed by a general council, with a committee elected by the annual Congress of the Party.

Co-operation for consumption, then, forms the basis of the

taken from *Socialisme en Belgique*, by Destrée and Vandervelde.

Such, in their broad outlines, are the formidable extension and the solid organisation of Socialism. These are due in great measure—besides the causes mentioned at the beginning of this article—to the intelligence and energy of the leaders. Amongst these may be specially distinguished, in *Belgium*, Vandervelde, Destrée, H. Denis, Anseele, etc.; in *France*, Millerand, Deville, Jaurès, Jules Guesde; in *Holland*, Domela Nieuwenhuis, Van der Zwaag, and the two "Marxites" Van Kol and Toelstra; in *Germany*, Schäffle, Bebel, Liebknecht, Singer, de Vollmar, etc.

It seems, however, as if in certain countries, the progress of Socialism had declined of late years. In Belgium, the elections of 1904 and 1906 disappointed its expectations. In Germany ,the movement is losing in extent, in intensity, and in discipline* (*v.* Winterer,

economic work of socialists. In 1900, the Federation of co-operative societies affiliated to the Labour Party numbered 189 groups, with a total of about 86,000 members.

In all centres where the Labour Party is of importance, a *bakery*, on the model of Vooruit, forms the basis of operations. The chief of these co-operative bakeries, besides *Vooruit* (7000 members) are the *Vrijje bakkers* of Antwerp (7000 members), the *Maison du peuple* at Brussels (18,000 members), the *Progrès* at Jolimont (15,000 members), and the *Populaire* at Liege (4000 members).

For the working of all these institutions, the number of benefit societies, etc., see Destrée and Vandervelde, *Le Socialisme en Belgique*.

Socialism has tried to get a hold on country places; but to attaining this object it relies upon the co-operative works of towns and industrial centres. By this means it has partially succeeded in Flanders, in Hesbayes, and the Ardennes.

* At the last elections (1907) made necessary by the dissolution of the Reichstag, the number of votes given to socialist candidates notably increased, though their deputies only entered the House to the number of 43. Another consideration that we must not lose sight of, lest we exaggerate the importance of the check received by the German socialists, is that it is due to a transitory cause: *i.e.*, to the impassioned appeal to patriotic feeling made by the Prince von Bülow. Still, it is only just to remark that the Chancellor's attack was equally levelled at the *Centre*, and that the latter came forth stronger from the struggle.

Histoire du socialisme. 2nd ed., appendix.) In Austria, in the elections of 1900, the Socialists lost ground. To what must this falling off be attributed? Is it due merely to transitory causes, or has Socialism reached the extreme limit of its development? Future facts alone can answer this question. Still, it is certain—and the leaders have many times acknowledged it—that Socialism has encountered its most formidable enemy in Catholicism. Wherever the Catholic church has full liberty of action—as in Belgium—priests and laity together found all kinds of institutions:—co-operative societies, benefit societies, Trade organisations, etc.:—to such an extent that Socialism finds the way to its progress barred. The acknowledgments of this fact made by Socialists are significant, and betray the vexation they feel at clerical influence. We need only quote a sentence of Vandervelde's:—"The development of consumer's societies in the Ardennes is hindered by the numerous obstacles caused by the distance from productive centres . . ., and the difficulty of finding capable administrators, or determined and independent shareholders, owing to the strong pressure exercised by the clergy in the district." (*Socialisme en Belgique*, p. 58).

II. Refutation

(*a*) **Socialism is Theoretically False.** To prove this, we will examine the principal grounds of the socialist thesis, in turn. This will give us the first argument against Socialism.

(I) The socialists borrowed the *first* principle of collectivist teaching from J. J. Rousseau, who stated it in his two books:—*De l'origine et des fondements de l'inégalité parmi les hommes*, and *Le contrat social*.

All men, says Rousseau, have the same nature. Therefore, all men have equal rights.

Since this equality, in the field of economics, can only be obtained by the abolition of property, human nature demands the introduction of collectivism.

Refutation. All men have the same nature, no doubt, if we look only at the essential character of man; but if we look also at the accidental side of this same human nature, the case is altered.

J. J. Rousseau's conclusion, "all men have equal rights," is quite true if we take account merely of those rights that flow from human nature considered essentially and in the abstract. But if we take into account the rights that come from human nature considered accidentally, in the concrete, and with all the *traits* that vary indefinitely according to the individual, it is erroneous to state that all men have equal rights.

It seems almost superfluous to give proofs that, as a matter of fact, the accidents of human nature differ with the individual. It is enough to enumerate some of the differences.

(*a*) Differences arising from *intrinsic* causes:—the peculiar stamp of intellect—its acuteness and solidity; the energy and initiative power of the will; the constitution and propensities of the body, etc.

(*b*) Differences arising from *extrinsic* causes:—the various circumstances of time, place, descent, climate, and so forth, in the midst of which human life is spent; the family and social conditions in which each man is placed from his birth, etc.

The answer to this first argument of Rousseau's, then, may be thus summed up:—

The natural rights of man flow from his nature:—a nature that is essentially the same in all individuals of the race, but accidentally different in each one; whence it follows that the natural rights essential to man (*i.e.*, the means necessary for the attainment of his last end) are the same for all, whilst the natural rights of accidental kind vary according to the condition of individuals. This fact opens a vast field to economic inequalities.*

(II) The *second argument* has been furnished to the

* The same argument justifies political inequalities.

Socialists by Louis Blanc in his book *Le droit au travail.*

Every man has a right to live. Therefore, every man has a right to work, which is his means of maintaining himself.

But in society, as now constituted, this right is trodden under foot; and it must inevitably be so, because of the essential flaws in our economic system.

Some other means, then, must be found; and the only means of causing this right to be respected is to hand over all productive goods to the State, which is to undertake the distribution of work, and consequently of wealth.

ANSWER.—(*a*) "Man has a right to live." Nobody denies this principle. The first conclusion to be drawn from it—as we shall see further on—is the right of property: in other words, that as man has a right to live, he has also a right to make himself master of things which as yet belong to no one else.

The second conclusion flowing from it is "the right to work": that is, to begin with, the freedom to seek for remunerative labour by any means that will not injure another person's rights. But to conclude from this (as does Louis Blanc) that a labourer out of work acquires by that very fact the right of *demanding* employment, and a corresponding wage, from an employer, is a very different matter. In certain cases an employer may be bound to furnish work "by the law of charity," but not by that of justice.

(*b*) Besides the error of principle here replied to, there is an error of fact in L. Blanc's argument. He declares that in existing society the right to work is trodden under foot, and must inevitably be so because of the *essential* flaws in our economic system; and he proves the existence of these essential flaws by observation, helped by induction.

Now, we grant that there are abuses in the existing economic order; but they are *accidental* abuses; and they proceed, not from the right of possession, which is

the basis of the present economic system, but from the passions that may arise in the exercise of that right. L. Blanc's theory, however, if it is to be tenable, must establish the fact that these abuses are essential to the system.

But it is precisely this very point, of chief importance to the system, that L. Blanc does not in any way prove. His observations and inductions are not supported either by comparative statistics or by any kinds of documents. Hence, his so-called demonstration is no more than a lengthy declamation, and not a logical conclusion from facts observed.

(*c*) The same author's *proposition* :—"the only means of causing this right to be respected is to hand over all productive goods to the State, which is then to distribute work, and consequently wealth"—calls also for a remark.

Assuming that this State intervention could cure existing economic evils (a false supposition, as will be shewn later), it does not follow that the State could interfere, without the consent of her citizens, to the extent required by Socialism—the reason for which is clear. The right of possession is a primeval right, belonging to each individual, and *anterior* to the existence of society. For, if men have been naturally compelled to form themselves into a society, it has been only in order the better to protect their rights of ownership.

(*d*) Further, Divine Providence has not failed to provide against even accidental abuses that might creep into the existing order of economics; for (1) it has given to every man, who may be in really extreme need, the right to take from others whatever is necessary to the preservation of life.

(2) It has imposed upon all men duties of charity in respect of the poor, and has especially laid severe obligations on employers towards their workmen.

(3) It has entrusted to Social Authority the office of taking care (whilst respecting and protecting private property) that throughout society there shall be work enough for all hands.

The true solution of the economic problem does not lie in Socialism, but in a return to the Catholic religion, which will teach the rich to fulfil their duties of justice and charity—the workers to live a sober and laborious life—and society in general to do its very utmost for the good of all its citizens.

(III) The *third* foundation of Socialism is stated in K. Marx's works, especially in the book called *Capital*. It may be summed up as follows :—

"An object may have a double value :—an exchange-value and a use-value. The latter consists of the qualities of the object, and consequently of its utility to man. The exchange-value, on the contrary, is imparted to the object only by the amount of human labour that has gone towards making it.

In fact, two things might give exchange-value to an object : its natural qualities, and labour. Nobody would support the first hypothesis.

What forms the basis of exchange ?

It is a certain equivalent found in the things exchanged :—*e.g.*, cheese and gold. It cannot be the natural qualities of the objects exchanged that constitute the equivalent in this case, for these are totally opposed :—so much so that the difference itself is the reason of the exchange. Therefore, the labour consumed in preparation of the object is the sole cause of its exchange-value.* Hence, when the employer sells the object made by the workman, the price of the object exchanged ought to go to the maker of it.

The employer may not deduct from this sum more than the expense of the raw material, the wear and tear of his machines, and the payment of his own work. Now, it is here that the injustice begins ; the employers,

* To escape objections, Marx asserts that the amount of labour by which the exchange-value of an object is to be measured, is not that of such or such an individual taken alone, but the amount that might be supplied by any workman of ordinary strength and capacity. This is what he calls "human labour in the abstract," or "social labour."

wishing to make a higher profit on their merchandise, deduct more than the above. This excess (the "surplus-value") which goes to increase their capital, is entirely wrung from the sweat of the labourer.

Here we see from what cruel injustice Capital springs. It is the mission of the State to repress this injustice and to prevent its recurrence: consequently, to make itself sole proprietor of all productive goods.

ANSWER.—The whole of this argument rests on the single assertion that the exchange-value of an object proceeds solely from the amount of human labour expended on its production.

The truth of this assertion vanishes in the face of a single distinction. No doubt the qualities of the objects exchanged are not *the same in nature*, but they may be *equal in utility*. Men may attach the same importance to various desires and needs; and if two objects correspond to these demands, the man who acquires them will give them the same value, though they be of very different kinds.

Therefore it is not the work alone that gives the exchange-value to an object.

It is clear that the utility of the object, the pleasure it gives to the purchaser, the quality of the workmanship, and the natural excellence of the material composing it, all have a considerable influence on the *price of the thing*. Who would pretend for a moment that one would give as high a price for a bad wine as for a good one, because the production of both cost the wine-dresser the same trouble?

Nowadays, it is mechanical work and not human labour that plays the chief part in the manufacture of objects. Yet their exchange-value has not sensibly diminished. How do the Marxites find a plausible explanation of this fact?

In conclusion, it is a manifest error to assert that the price of an object depends solely on the amount of human labour that it represents; and hence it is equally false to conclude, 1st, that the whole price ought to be

returned to the worker; 2nd, that capital is the fruit of an injustice; and, 3rd, that the State ought to interfere, and apply the Socialist economic system.

(IV) As the *ultimate basis* of their teaching, Socialists are fond of citing the fact—patent to their eyes—that the present distribution of riches is clearly unjust, and that this injustice will never disappear till the time comes for the triumph of socialist ideas.

The force of this argument—if it be an argument—is small. The injustice in question is either a particular fact or a general rule. In the first case, it would be absurd to attack the existing economic *régime*, as the best things may give rise to abuses. If, on the contrary, it is asserted that injustice is the general rule (a radically false assertion), it must be further proved that on this very account it becomes *essential* to our present economic system.

This summary of the chief objections raised by Socialism to the rights of property show how futile are its efforts to destroy them: for they are natural rights, and direct arguments to prove this fact are not wanting.* God has laid upon man the obligation of attaining his last end by his own efforts; hence, he has the right to provide for his own subsistence. But how could man do this effectually if he was not allowed to keep the exclusive use of certain things for himself, *e.g.*, clothing and food?

Man, who is a rational being, has the right to look to the future, and to assure himself of bread for times of sickness or old age. Moreover, he has the right to found a family, and therefore the obligation of providing for his wife and children. He has also a right to improve his natural faculties—to increase his knowledge, etc. Now, it is surely evident that the Creator, who has conformed these rights and imposed these obligations on man, cannot have refused him the necessary means of

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* For the *detailed* proof of this statement we must turn to Moral Philosophy, which treats the subject *ex professo*.

exercising the one and fulfilling the other. He has, then, given him the right to take possession of certain goods which as yet belong to no one, and to keep the control, and free disposal, of them for himself.

Without great efforts and persevering labour, the majority of mankind cannot manage to provide themselves with the necessaries of life. To support such incessant and difficult work a powerful stimulus is needed. But experience clearly proves that if man is deprived of the certainty that he alone will gather the fruit of his own labour, all ardour for work is at once extinguished in him. Now, it is impossible to persuade a labourer that the fruit of his work will wholly belong to him, if he is not allowed the right to dispose of it at his own pleasure, to keep a part of it for himself: and, in short, to make stable property of it.

(*b*) **Practical Impossibility of Socialism.**—Several trials of collectivism were made in the last century, but all failed. Witness the *National Work-shops* established in Paris in 1848, in which nearly 100,000 workmen were employed. Their collective labour produced only half the sum necessary for their support. Witness also the yet more unfortunate attempts of Charles Fourier, Robert Owen, Etienne Cabet and others.*

It is not, however, on these facts that we base our second argument, *i.e.*:—*Socialism is practically unrealizable as a permanent institution and a durable economic system,*

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* Here is what Van Eden, the Dutch Socialist and great Capitalist, says of himself in the Journal "*le Pionnier*":—"I have learnt how, in a few years or a few months—in spite of the best intentions—without playing or speculating—one may lose 400,000 francs. I have learnt how difficult it is to find intelligent business men who have a right idea of their own worth. I have learnt the advantage of inflexible severity in every commercial undertaking. I have learnt that it is extremely difficult to be a good capitalist. I have thus bought experience which—I hope—will greatly benefit well-meaning capitalists, and the socialist groups upholding collective appropriation of land, that may come after me."

(i) Because of the *exterior obstacles* that it would encounter.

In order to introduce this system in a permanent form, it would be necessary :—

(*a*) To uproot the whole idea of Christianity, as Christianity would never bend to Socialist requirements.

(*b*) To make all humanity give up any notion of liberty and noble independence. For what, in fact, does Socialism desire, but to subject all men to a Divine State, which is to decide for each individual the kind and duration of the work he is to supply, and his share in its profit?

(*c*) Still further, all men would have to be suddenly inspired with a disinterestedness, obedience, devotion to the common good, and spirit of self-sacrifice, hitherto unknown upon earth, if—in spite of all repugnance—they are to submit for the whole of their lives, at a mere word, to the regulations of the authorities.

(ii) Socialism is unworkable because of the *intrinsic obstacles* to the system.

(*a*) It is impossible to *decide everywhere upon the quantity and quality* of objects to be produced, in such a way as to avoid over-production. To effect this, it would be necessary to make a previous enquiry throughout a whole country—or throughout the world, if you will : —in each county, each municipality, each family, and of each individual :—and this, several times a year.

(*b*) It is impossible to *organise labour everywhere.* To begin with, we should have to know exactly, the number of workers and the quality of each ; and, to do this, we should have to visit the smallest hamlets, to prevent labourers from settling in the pleasantest neighbourhoods, and to superintend every individual as to the execution, nature and duration of his work.

(*c*) It is impossible to *distribute work* amongst all citizens :—to appoint those for going down into the mines, nursing the sick, doing the cooking, superintending or apportioning labour :—without giving rise to endless opposing claims, criticisms and rebellion.

(*d*) It is impossible to *distribute the riches produced*. For indeed, what standard could be adopted in making such distribution?—(i) The time employed in the work? But then the skill, activity and industry of the worker, and the difficulty of the work, would count for nothing; (ii) the quality and quantity of the work? But in that case, what becomes of the fundamental socialist principle: equality? Besides, how shall we gauge the number and quality of the millions of labourers spread over the whole surface of a country? How discover the skill and dexterity of each? The only way would be to place by the side of every labourer an honest and patient inspector, able to judge of his merits! (iii) The poverty and necessity of each individual? But how take this into account without being unjust to others who may be able to work longer and better? Besides, who would be gifted in this Socialist Republic, with sufficient tact, authority and penetration, to decide upon the needs of each:—upon the food, clothing and lodging required by him:—without rousing discord, jealousy, envy and quarrels amongst all?

(*e*) Man "does not live upon bread alone," he has a love of the True and the Beautiful. What would become of the Arts and Sciences under a Socialist *régime*? Who would have time, or taste, to pursue them? You cannot extemporise a learned man or an artist: he needs long preparation, serious studies and constant application. But, in the Socialist system, the whole of human energy is absorbed in production.

(*f*) Lastly, the main difficulty in the way of Socialist effort is the want of a stimulus to labour. Man is generally guided by a motive of self-interest, which is the basis of his nature. He will not work without the hope of gathering the fruit of his efforts; and he cannot have this hope under a Socialist *régime*. He will be always forbidden to aim at building up a property of his own; he will always have to share the fruit of his labour with his companions, who may be less skillful, less energetic, and even less honest, than himself.

Such are a few of the difficulties of a Socialist System: enough to prove its *practical* impossibility.

(c) **Indirect Proof against Socialism.**—We have proved *directly* the theoretic falseness and the practical impossibility of Socialism. To complete the demonstration, an *indirect* argument may be brought against it. Socialism is the negation of a number of truths hitherto admitted. If it is to be accepted as a serious doctrine, it must prove the worthlessness of everything that has been granted up to the present time.

Now, Socialism is incapable of furnishing such a proof: and, where most of these truths are concerned, does not even attempt it.

It is not necessary to enter here into detailed proof of the truths rejected by Socialism. Such proofs belong to the domain of philosophy and moral theology, as well as to Canon Law. It is enough here to name, briefly, the truths themselves that are decried:

(*a*) In the *individual order*, Socialism:

(1) Rejects the existence of *God*, *the last end* of man, and the *immortality* of the human soul.

(2) Denying these two fundamental truths, it makes the supreme end of existence to consist in the greatest possible sum of enjoyment here below.

(3) Consequently, it upsets the true standard of morality. In other words, it invents a new rule, and a new criterion by which to judge whether actions are good or bad. This new rule is personal utility.

(4) As a result of this, it denies the duty of men towards God, his fellow-creatures, and himself.

(*b*) In *domestic society*—still in consequence of these fundamental errors—it denies, 1st, the duty of sanctity, and the indissolubility of marriage; 2nd, the reciprocal duties of parents and children; 3rd, the duties of master and servant, employer and employed, to each other.

(*c*) In *civil society*, it denies—for the same reasons—1st, the divine origin of political power, the nature and extent of its duties; 2nd, the relation between Church and State, and the duties of the State with regard

to the Church :—as it wishes to abolish the latter ; 3rd, and lastly, the mutual relation of nations, because it would have all nationality abolished with the idea of establishing universal brotherhood.

ART. III

The Catholic School of Political Economy

Cf. on this subject :

Leo XIII, RERUM NOVARUM—GRAVES DE COMMUNI.

Pius X, Encyclical to the Bishops of Italy : IL FERMO PROPOSITO.

Antoine, COURS D'ÉCONOMIE SOCIALE, ch. x.

Talamo, LA QUESTIONE SOCIALE E I CATHOLICI. *Rivista Internazionale di Scienze Sociale*, 1896.

Revue Catholique des Institutions, 1889-1890, etc., several articles.

Mgr. Freppel, *Discours à la Société Catholique d'économie politique et sociale.*

Périn, LE SOCIALISME CHRÉTIEN.

Stimmen aus Maria-Laach, 1890, etc.

La Civiltà, 1890-91, etc.

DISCOURS DE M. DE MUN, à l'assemblée générale des Catholiques, 1883. Les Congrès de Liège et d'Anvers.

Georges Goyau, *L'Encycl. sur la démocratie chrét.* Liège, Imprimerie Centrale, 1901.

Toniolo, *La parole du Pape à cette heure solennelle.* Liège, Imprimerie Centrale, 1901.

Franz Hitze, QUINTESSENCE DE LA QUESTION SOCIALE. Paderborn, 1880.

Preliminary Remarks.—Between these two extreme theories—Liberalism and Socialism—it was to be expected that a third school should arise, rejecting entirely neither State intervention nor individual liberty. The Catholics, adopting this intermediate doctrine, and in-

intermediate doctrine, and infusing into it Catholic maxims and morality, have secured for it a dominant influence in the present economic world.

We shall briefly set forth and justify this doctrine and its influence in §1; and then, in §2, we will study the two distinct groups that form the School, explaining both the theoretical divergences and the practical agreement desired by the Holy See.

1. The Catholic School *

(I) To have a complete idea of the Catholic School of Political Economy, we must make a distinction between its *teaching* and its practical *influence* in the economic world.

(A) Statement of the Doctrine.—The doctrine universally admitted by Catholic Economists may be summed up in the three following points:

(1) The great and preponderating influence of the *Catholic Church* and of the virtues that she inculcates on her children:—justice and charity. All Catholics accept, with childlike readiness, the Church's guidance, and repudiate the errors of Socialists and Liberals.

(2) *State intervention* in the economic field. On this question, Catholic teaching is radically distinct from Liberalism, whose first principle is absolute non-intervention in economic matters; but, on the other hand, it is also far from maintaining the exaggerated view of State interference held by Socialism.

(3) *Liberty of the individual and of Associations.* This last feature distinguishes it absolutely from Socialism, and even indicates marked disagreement with he Liberal School.

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* (*a*) We shall not attempt, in this first section, to distinguish shades of opinion, either in the statement of Catholic doctrine and works, or in the enumeration of writers of this School.

(*b*) We here oppose the Catholic School to the Liberal and Socialist Schools. Taken thus, the Catholic School may justifiably base her deductions, not only on revealed truths, but also on principles of Christian Philosophy.

These three elements are intended to be harmoniously combined, acting as complements of each other, and neither unduly preponderating, but each having its own part to play in the scheme.

Consequently, all Catholic Economists include in their programme the need for Labour associations, for clubs, for thrift, for benefit societies, and for the struggle with alcoholism.

(*B*) Rough Statement of its Practical Influence.—(1) It is easy to understand how the Catholic School should have exercised a strong influence on Political Economy, if we take into account the circumstances under which it came into existence.

The Liberal School has raised the Social Question in all its gravity:—*i.e.*, the question of how to remedy the evils under which Society was suffering; and, especially, how to save the working-classes from misery.

Socialism appeared as a remedy which, to all who retained the love of religion—or even of mere social order—appeared worse than the disease.

But, out of evil, Divine Providence once more made good to come. It brought the Catholic School into being at the very moment when its influence was ensured by circumstances.

(2) From the very beginning, the School found illustrious champions and devoted adherents; * and the number of these constantly grows. We name a few of them at random:—In Germany; *Bishop Ketteler*,

* When did the movement first begin? To fix an exact date, that would apply to all countries, is impossible. We may say, however, that the sociological movement began to take an important form between the years 1860 and 1870; that a strong impulse was given to it from 1885 onwards; and that it was finally set vigorously going by the Encyclical "*Rerum novarum*" in 1891.

Taking Belgium alone, the movement seems to have arisen with the congressess of Mechlin, in 1863, '64, and '69.—*cf.* Michotte, *Théories économiques en Belgique de 1830-1866.* As regards France, see Victor de Clercq, *Les doctrines Catholiques en France depuis la revolution jusqu'à nos jours.* [For Germany, see C. Plater, *Catholic Social Work in Germany.* London, Sands & Co. 1909.]

Lehmkuhl, Pesch, Cathrein, Albrecht, Hitze, Winterer;—in Austria; *Charles von Vogelsanz, Costa-Rosetti, Biederlack;*—in Switzerland; *Mermillod, Decurtin, Eberlé, Beck;*—in Italy; *Talamo, Toniolo, Liberatore;*—in England; *Cardinal Manning, Archbishop Bagshawe, Devas;*—in Spain; *Cardinal Sancha Y Herras, Vincent Cepeda;*—in Holland; *Mgr Schaepman, Nolens, Aalberse;*—in France; *Mgr. Freppel, Mgr. de Cabrières, Le Comte de Mun, le Marquis de la Tour du Pin, Léon Harmel, etc.*,—and, lastly, in Belgium, besides those actually still at the head of the Catholic economic movement—we may name *Cardinal Goossens, Mgr Doutreloux, Onclair, Thonissen, Ch. Périn*, and many others.

This intense activity of the Catholic School has not been isolated, or circumscribed by each country. From the beginning the Bishops have taken care to make the movement, so to speak, international, by summoning great Catholic congresses to which all countries might send representatives. We may mention particularly the congresses assembled at *Coblentz, Lucca, Lodi, Vicenza, Mechlin, Angers*, and *Liège*.

But, great as was the influence of this School on the principles and attitude of Political Economy, it was still more felt in the department of *organisations* and *institutions*. The organisations for social education by means of teaching (meetings, reading-unions, lectures)—employers' Institutions—economic associations (co-operative societies for production, loans, consumption, insurance)—professional organisations (unions of workmen, of employers, or of both together)—Catholic workmen's clubs—preventive and reformatory societies:—all these are due, in great part, to the initiative and perseverance of Catholic economists. On the other hand, that *State-intervention* in economic questions which has occupied so much of the attention of most modern governments, as exercised by laws—by loans—by encouragement given—by plans formed—has been largely the result of the influence exerted by the Catholic School. Especially in *Belgium*, it is this school

that has inspired statesmen with the magnificent collection of economic Labour-laws and with the foundation of the ministries of Agriculture, Industry, and Labour—of the higher Council of Labour with its dependent Councils—of the general Bank for savings, pensions and insurance; also, with the organising of employers' Committees, Workmen's Dwellings and Provident Institutions, and the improvement in the working of government inspection and enquiry commissions.*

(3) Nothing, however, has so greatly contributed to strengthening the influence of the Catholic Economic movement as the serious intervention of the Head of the Church himself, through his Encyclical "*Rerum Novarum*," 1891. We need not dwell upon the effect of that document on Catholics, especially on those who had been at the head of the movement for some years. It was the reward of their past efforts, a certain guide for the future, and a guarantee that Catholic social action would live, spread, and become universal.

What is important to notice here, is the impression made by it upon non-Catholics:—upon Protestants, Liberals, and even the Socialists themselves (*v.* Mgr. T. Saercleas, *Vie de Léon XIII*, vol. ii., p. 85).

"The effects of the Encyclical," wrote the Anglican *Guardian*, "cannot fail to be important. When we remember that though reflecting, to begin with, the thought of but one single man, it will be adopted by thousands of bishops and by all the clergy under them, it becomes clear that we have not exaggerated the importance of this historic document. Its effect in the development of the Social Question will be immense, and also, no doubt, on the future of the Catholic Church." And the Anglican Bishop of Manchester added, at a public meeting: "The Pope has laid his finger on the sore spot of our Social system; he must be listened to, or the world will have to expiate its fault by terrible calamities."

* We shall have occasion to revert in detail to all these organisations and institutions.

The *Breslauer Zeitung*, a liberal paper, again, says: "We fully approve the attitude of the Pope; his Encyclical is the teaching of a wise and generous man, who has studied the present economic situation with discernment."

The liberal Economists of France use the same language, acknowledging, in their newspapers, Reviews, and books, the immense effect produced in the Schools of Political Economy by the intervention of Leo XIII in Social matters (*v.* especially, *La Papauté, le Socialisme, et la Démocratie*, by M. Leroy-Beaulieu).

The Socialists themselves made no secret of the admiration, and even sympathy, aroused in them by the pontifical document. The chief organ of German Socialism, the "Vorwärts," exclaims: "In virtue of his office, and in the fulness of his power, the Pope has surpassed the princes and Governments of all civilised States, and has solved the social question."

And the French political author, Maurice Barrès, Member of the Chamber of Deputies, said (*Léon XIII devant ses contemporains*):—"Wonderful audacity!—unforseen *volte face!!*—suddenly to alter, at least as regards the old social forms of Europe, the mental state of several thousands of the Faithful! . . . I admire and am astonished. What is to become of the point of view from St Peter's throne? The more I feel my incompetence to grasp all the consequences of this new policy, the more is my respectful curiosity aroused by the illustrious old man who—so they say—wishes to make trial of it."

Needless to say, this passage and others like it, emanating from non-Catholic writers, contain several errors.

The Papacy has never had to alter its attitude towards society; it had no *volte face* to make; at all times, it has shown maternal care for all its children, rich and poor, teaching both alike the duty of justice and charity in the individual and social orders. But what is of importance to take note of in all these acknowledge-

ments, is the immense influence that has been gained in the economic world, even amongst liberals and socialists, by the Catholic School, of whose teaching this Encyclical in the fullest expression.

(*C*) Proofs of the Doctrine.—(*a*) *Proof drawn from facts.*—This first argument springs straight from the nature of the three schools of political economy. Facts form the evidence ; for we must allow

(1) As against liberalism, *a certain amount of State-intervention* in economic affairs, and a grouping of individuals into *associations*.

(i) Now, first, as regards the interference of the State, there actually exists a fundamental and universal fact :— *i.e.*, that if men have formed themselves into a civil society, it has been precisely in order that the State might intervene, after some fashion, in their economic affairs. Next, governments have everywhere, in point of fact, been able to practise this intervention, which points to the conclusion that public opinion has judged such action to be advantageous. Lastly, when—about a century ago—they tried to put the principles of economic liberalism into practice, they succeeded only in *limiting* the action of the State ; and where its influence was believed to have been definitely excluded—as in the question of free-trade—they found themselves, as we shall see farther on, obliged to go back to protection.

(ii) As to *association*, the failure of liberalism in the domain of Fact has been no less marked.

History shows that every step forward in economic science has been accompanied by a development of associations. The middle-ages, with their powerful corporations, furnish convincing proof of this (*v.*, Hervé-Bazin, *Traité élémentaire d'éc. pol., introduction hist.*)

At the end of the 18th century, the Revolution abolished the right of association in the name of individual liberty ; but, in spite of the law, societies of all kinds were formed everywhere, and compelled the State to revoke its legislation. Belgium recovered this liberty in 1830, Germany in 1848, France in 1884.

(2) In opposition to socialist principles, *individual liberty* must be allowed the place assigned to it by Providence. To deliver all productive goods, and the whole economic organisation of a country, into the hands of the State, is a system condemned beforehand by facts. Witness the futile attempts, already mentioned, made by L. Blanc, Robert Owen, etc.; also the practical impossibilities, enumerated above, which arise directly an attempt is made to establish a Collectivist State:—and to these facts we may add the embarassment betrayed by socialist leaders, when asked to describe their future form of society.

Lastly, even the one successful attempt at Collectivism can be turned into an argument against it. It is known that thirteen centuries before the Christian era a kind of Collectivism was practised in the Island of Crete. But:—it was based upon slavery, and could not have been carried on without it. Now, contemporary Socialists profess to lead humanity not to slavery—which is the worst of all temporal evils—but to a state of earthly happiness in which liberty and fraternity will reach their highest development.*

(3) Facts, further, go to prove that, for solution of the economic problem, great scope must be given to the operation of *true religion*. This last point is denied by both liberals and socialists.

Now, it is a truth that has become commonplace by force of repetition, that the limits reached by the spread of Christianity are the same as those reached by civilization (G. Kurth, *Les origines de la civilisation*

* Nobody denies that the Early Christians practised a kind of communism. In later centuries, some heretics—the "Apostolicals," Circumcellians, Albigenses, Anabaptists—took advantage of this fact to preach Communism. Even the modern apostles of Socialism have sometimes supported their claims by this example. But people forget that this Christian community of goods was *voluntary* and transient; and, further, that it presupposed in those first Christians a degree of detachment and disinterestedness unknown to the greater part of mankind, and especially to our contemporary Socialists.

moderne.—Wallon, *Histoire de l'esclavage*). The Church has gained the merit of abolishing slavery, with prudent but necessary slowness; and of having reasserted, by her teaching and by the examples of her Divine founder, of the Apostles, and of the monastic Orders, the dignity of manual labour—the chief source of riches—which was utterly despised by the whole of Pagan Society.*

What Christianity has effected in the past she is carrying on in the present, by means of her missionaries, amongst uncivilised nations. We need take only one example:—that of the independent State of the Congo. The calumnies but lately spread against the Catholic missionaries there, served merely to bring to light the enormous influence on civilisation and economic progress exercised by the ministers of the true Faith. The loyal non-Catholics, who looked on at the missionaries' work, loudly proclaimed the truth witnessed to by these disclosures. (*v.* Vermeersch, *La question Congolaise.*)

(*b*) *Proof taken from the nature of man.*—It is a fixed principle that the Creator always establishes perfect proportion between the end He sets before us and the means that He bestows upon us for gaining it. In the present case, the end to be gained is wealth, in so far as this may serve towards the attainment of man's highest end.

He who has to reach this end is man:—*not* considered in the abstract—but concrete man as a whole, placed as he is in the natural and supernatural orders at the same time.

These preliminary facts being laid down, it is easy to deduce our proof from them.

Since there is necessarily a proportion betweeen the end to be obtained:—*i.e.*, material well-being—and the

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* Champigny, *de la Charité Chretiènne*, part 2, Ch. XX.; Möhler, *Christianisme et Esclavage, de l'Abolition de l'Esclavage par le Christianisme.*

Alban de Villeneuve, *Histoire de l'Economie politique;* Dutilleul, *Histoire des corporations religieuses en France;* Michelet, *Histoire de France,* Vol. I., p. 112.

means to be used:—*i.e.*, the economic activity of human nature taken in the concrete—the study of this human nature must show us the factors that concur in the attainment of this end. Now, human nature of its own accord seeks the bond of association, and the protection of the State (1st factor).

Human nature seeks, in the State, only a helper and a protector of its rights (2nd factor).

This human nature that pursues its material welfare, considered in the concrete, is a nature at once *vitiated* and destined for a supernatural end (3rd factor).

Hence, in the search for material welfare, we must take into account (1) State-Intervention, and the forming of Associations, (2) freedom of personal initiative, (3) the influence of the Catholic Church.

Let us develop and prove our minor premise.

(1) Nature leads man to combine, and to put himself under the protection of the State, in the interests of his own material well-being. The reason for this is that man is incited by his nature to whatever helps him to attain the end conformable to that nature. Now, his intellect shows him plainly that association,—the combined effort of man—is more likely to procure this end than isolated or individual action; because it supplies, gives value to, and protects the right means of attainment with greater certainty.

If this fact is incontrovertible in the case of simple combination, it is yet more so where Civil Society as a whole is concerned, as the latter has more power at command for protecting and defending the rights of private people.

That man is naturally inclined to form associations, and above all to build up a state of Civil Society, is a truth unquestioned by any Christian philosopher. J. J. Rousseau, from whom the liberals borrowed their economic principles, could only deny it by making the most improbable suppositions:—*e.g.*, that the natural state of man is to be a savage; that in leaving this state he was the victim of a delusion; that this delusion has

hitherto had possession of the whole human race. (*v.* Rousseau, *Le contrat social.*)

(2) Nature, as we have said, impels men to form themselves into Society, but solely with the object of obtaining help and protection from the State.

Hence, it stands proved that all State intervention that consisted in abolishing individual rights—in seizing on all means of production—and in organising labour and distributing riches without the concurrence of private citizens—would be contrary to the dictates of nature and, consequently, would be condemned to failure in the sphere of economics.

(3) Lastly, the nature of man considered in the concrete clearly shows that the third factor, *i.e.*, the religion of the true Church—must play a leading part in the economic question.

(i) And, first :—man, considered in the concrete, is destined to reach his *supernatural* end by means of the true Church of Christ. All his actions—his pursuit of material goods as well as the rest—must be subordinated to this. He must, therefore, take the religion of Jesus Christ into account in the economic order.

(ii) Again :—in consequence of his *vitiated* nature man is inclined to certain vices, *e.g.*, to selfishness and sloth. This fact, again, is incontrovertible. Now, if man follows these perverse inclinations the whole economic scheme suffers. We have a striking proof of this in the facts mentioned above concerning the ruin brought about by economic liberalism. Moreover, does not common sense tell us that a vice of our nature cannot contribute to the welfare of that same nature ?

A remedy, in the form of restraint, then, is absolutely necessary for the disordered inclinations of mankind ; and it has been proved by experience that the principles of true religion—the moral precepts laid down by it, and the supernatural aids of which it is the channel :—constitute this indispensable remedy. Hence, it is

necessary to take the influence of the Church into account in pursuing material well-being.*

2. The Two Groups of this School

CATHOLIC CONSERVATIVES. CATHOLIC REFORMERS, OR CHRISTIAN DEMOCRATS.

PRELIMINARY REMARKS.—(i) The Liberals exclude authority; the Socialists, liberty. The Catholics plead for both. Some of the last, however, give the larger place to liberty, and others to the intervention of authority: hence, two opposite tendencies.

The former of these two groups is named the *Conservative group*, because its members hold that the existing economic condition should be maintained.

The other, in opposition, is styled the *Reforming group*, because, according to its tenets, our economic *régime* is defective, and ought to be reformed.†

The first group is also called the *School of Angers*, because in that town was assembled (by Mgr. Freppel) the congress intended to bring about the triumph of Conservative views; whilst the second group is often named as the *School of Liège*, because Mgr. Doutreloux there presided over two congresses of reforming tendency.

The first group is again sometimes known as the *School of Liberty*, on account of its claiming a larger share for the play of free initiative; and the other as the *School of Authority*, from its claiming more decided intervention by social authorities. The group of Catholic reformers is further called the *Christian Social Party*,

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* *v.* Ch. Périn, *De la richesse dans les sociétés Chrétiennes.* —Alfred Young, *Catholic and Protestant countries compared.* New York, 1903.

† The Catholic "Reformers" maintain that the existing economic system is defective, because based on an exaggerated liberalism. The Socialists, on the contrary, say that our system is bad because it is based on ownership. The distance between these two schools is immense.

and its representatives go by the name of *Christian Socialists*, which title is specially common in France. It is also used in Austria (*die Christlich Socialen*), and serves to distinguish the Catholic reformers from the "*Feudal Conservatives*." Lastly, in Belgium, this group is called *Democratic*, and the league that embodies it is the *Catholic Democratic League*.*

(ii) As might be supposed, there are innumerable shades of opinion in each of these two groups; but we only mean, in the following pages, to notice *the respective tendencies of the conservative and reforming groups*, and not to point out the opinion of such or such of their representatives. Further, it is not our business to *weigh or discuss* the two tendencies; we have merely to *state* them.

I. **Theoretical Divergences.**—We will first note the *chief* divergence, and then the *secondary* ones that flow from it.

(*a*) *Principal Divergence.*—This consists in a different idea of the mission of the State, which constitutes the fundamental distinction between the Schools of Angers and Liège.

According to the *Conservatives*, the office of the State is to *protect rights and suppress abuses.* "Individual liberty—liberty of association, with all its legitimate results—limited intervention of the State, for protection of rights and suppression of abuses—such, gentlemen, is my creed on the Labour Question. Let me hope that it will also be yours." (Mgr. Freppel at the Congress of Angers. *Revue Cath. des Instit.*, 1890, vol. ii, p. 426.) All the Conservatives rallied round this cry.

In the opinion of the *Democrats*, the office of the State is not confined to the protection of rights and the sup-

* We need hardly observe that the Christian Democrats have nothing in common with any of the following parties:—1st, the *Daensistos;* 2nd, the partisans of the *Abbe Stojalowski* (in Galicia); 3rd, the "*democratici autonomi*," in Italy, led by *Murri*. None of these belong to the Catholic school, as they reject the guiding authority of the Pope and theBishops.

pression of abuses, but consists, further, in positively promoting the public welfare. The State, therefore, ought to interfere in the present discussion, by wise and prudent legislation. "To solve the social question, there must be agreement between employers and their staffs; but, besides this good understanding, there must be social legislation which shall regulate the relations between masters and workmen in a just and equitable manner." (Declaration of Cardinal Fischer at the Congress of Liège, 1st section, p. 81. *v.* also Lehmkuhl, *Stimmen aus Maria-Laach*, 1890, vol. i, p. 399.)

(*b*) *Secondary Divergences.*— The *Conservatives*, in consequence of their principle of liberty, maintain that the existing order of things, founded on economic liberty, is good in itself. The evil that we all deplore—so they say—does not arise from economic liberty itself, but from the conditions under which it is pursued. We live in an age in which Christian charity amongst masters has diminished:—sometimes disappeared;—in which faith is weakened; and in which the workman is too often abandoned to all kinds of vices. This is why we abuse economic liberty, which is a gift of God.

The *democrats* hold the contrary:—that the existing economic and social system, being based upon absolute liberty and individualism, is a product of the Revolution, and radically defective:—that it is the poisoned source of innumerable ills that inundate society.

(2) As the evils of society (say the *Conservatives*) do not spring from a radical defect, but from extrinsic, accidental and almost always moral causes, the remedies for them consist in re-awakening faith; in teaching morality to the populace by instilling habits of saving, sobriety and respect for authority, into them; in re-kindling love for their workmen in the hearts of employers, so that they may voluntarily act towards them in a paternal spirit, in both moral and material things; and in gathering the workmen into free and Christian corporations, etc. These remedies, and others, were suggested at the Congress of Angers. It will be seen

that they are all *individual*, *slow of accomplishment*, and *nearly all indirect*. (*Rev. cath. des Instituts.* p. 461 etc.)

The existing economic system (say the *Democrats*, on the other hand), being fundamentally defective, a radical cure is necessary.

The "three special measures whose immediate adoption the democratic school urgently demands, are:—the judicial reform of labour contracts, in every shape—social labour—legislation of a special kind; professional Unions, even composed of workmen only, eventually becoming compulsory, and representing the moral and material interests of the autonomous class of labourers." (Toniolo, *La parole du Pape à cette heure solennelle.*)

Other more general measures would also have to be taken. (*v. Discours de M. le Comte De Mun à l'assemblée générale des Cathol.*, 1883; *Discours de M. de la Guillonière, au Congrès de Liège*, p. 76.)

The remedies here called for, then, are *direct* and *immediate*; and they *strike at the very root of the Economic system.*

(3) The *conservative* group would have special recourse to Christian charity and alms.

The *other* group, on the contrary, maintains that, existing Economic conditions being unjust, the first remedy to apply is social Justice.

(4) The *Conservatives* fear, above all things, the dangers that might arise from an exaggerated State-Intervention, which to them appears like a beginning of Socialism; whilst the *democrats* have been particularly impressed by the numerous undeserved evils that weigh down the working class, and by the imminence of the socialist danger. A programme of urgent reforms in favour of the workman seems to them the essential remedy for this unjust state of things, and at the same time the best preventive of Socialism. They hold that the democratic view is the only one that recognises the true, natural office of the Civil power; and, also, the only one that can face the gravity of the socialist peril.

Thus, we find the same sincerity, with the same

desire to cure the ills of society, and above all to solve the Economic problem, on both sides; likewise, the same fear of falling into Socialism on the one hand, and of remaining attached to Liberalism on the other. Can we wonder that dissensions have arisen; and that, in maintaining their convictions, certain representatives of the two groups have fallen somewhat into excess in their methods?

II. **Practical Agreement desired by the Holy See.**— The influence of the Catholic School could not but suffer from this disagreement, and the movement in favour of the working class bid fair to be paralysed by it. It was to be feared that Socialism would profit by the disarray into which such dissensions must inevitably throw the Catholic camp. The watchful eye of Pope Leo XIII saw the danger; and—sure of being listened to—he intervened with a new Encyclical, "*Graves de Communi*," exhorting all to rise above theoretical disputes, and pointing out the practical agreement that ought to be established amongst Catholics. We will quote here the chief rules laid down in this document:—

(1) "What is of the greatest consequence is that, in a matter of so much importance, we should find in Catholics but one and the same spirit, will, and action. Neither is it less necessary that this action should extend and become strengthened through the agency of the increased number of men who will devote themselves to it, and the multiplied resources that will be available for its use."

(2) "For this unity of spirit to be rightly maintained, people must put aside those causes of dissension that irritate and divide. Therefore, whether in newspapers or at popular assemblies, let them abstain from discussing certain very subtle questions which are of hardly any use, and of which no practical solution is possible. To whatever opinion each one, in doubtful matters, may give the preference, let him always be ready at the bottom of his heart to listen most religiously to the teaching of the Apostolic See."

(3) "The expression 'democracy' should only be

employed apart from any political sense, and with no meaning attached to it beyond that of beneficent Christian action on behalf of the people. . . ." "Christian Democracy, just because it is called Christian, should rest upon the principles laid down by Divine Faith as its very foundation. It has to provide for the interests of those in humble position, in such wise as rightly to lead to perfection souls created for immortality. It must, therefore, hold nothing so sacred as justice; it must defend the rights of property and possession, and maintain the distinction of classes that is clearly necessary to a well-constituted State. Lastly, it must be determined to give to the whole human community the form and character appointed for it by God the Creator."

(4) "Christian Democracy must avoid another danger:—that of devoting so much care to the interests of the lower classes that it seems to put the higher classes on one side; whereas the latter are of equal value for the preservation and improvement of the State."

(5) "Further, let them see to it they never think of hiding under the title of 'Christian Democracy' the least intention of rejecting all obedience, and of despising their lawful superiors. Respect for those who, in any degree, possess authority in the State, and conformity to their just commands, is alike prescribed by the natural and Christian laws. . . . It is, again, contrary to the Christian profession to refuse submission and obedience to those who possess authority in the Church; and, first of all, to the Bishops, who—without prejudice to the universal power of the Roman Pontiff—have been appointed by the Holy Ghost to govern the Church of God redeemed by the Precious Blood. (Acts xx., 28)."

(6) "There is one thing on which it is right that we should further insist, and in which not only the ministers of religion, but all who are interested in the people may help them—namely that, animated with zeal, they should take every opportunity, in familiar conversation, of inculcating certain maxims, of which the following are the chief:—Always to beware of all sedition and seditious

men; to show inviolable respect for the rights of others; willingly to give to superiors the respect and service due to them; not to despise domestic life, so fruitful of good; and, above all things, to practise religion, and to look to it for comfort in the hardships of life."

(7) "We see more and more clearly, by the straightforward, harmonious, and constant intercourse of Catholics, that orderly tranquillity and real prosperity flourish chiefly amongst nations who acknowledge the protection and guidance of the Church—that Church whose holy function it is to warn each one of his duty, according to Christian precepts; to unite rich and poor in fraternal charity; and to raise and strengthen hearts in the trials that must spring up in the course of human life."

To Sum Up.—The wish of the Sovereign Pontiff is to get all Catholics to unite, under the direction of ecclesiastical authority, with the object of "*beneficent Christian action on behalf of the people*":—a mode of action which ought to be broad enough to help the lower classes without neglecting the higher. Also with the further objects of practising justice and charity; of not favouring one political system rather than another; of attending to the lawful requirements of the people, and at the same time showing them their individual duties in life, both social and domestic; of calling upon Catholics for devotedness in all directions; and, lastly, of putting aside personal opinions upon all economic questions of doubtful kind.

PART II

THE PRODUCTION OF WEALTH

PRELIMINARY REMARKS

I. Political Economy is the Science that directs human activity in the sphere of the material interests of society.

By "material interests," or wealth, must be understood all economic utilities capable of appropriation.

These economic utilities are either *objective or subjective*. The *first* include all property in the form of external things—*e.g.*, a field, a mine, an animal, a factory. By *subjective* goods are meant the qualities or advantages of a person, such as may contribute towards his material interests—*e.g.*, his knowledge, prudence, skill, or connections.

Economic goods, again, are divided into goods for individual *use* and goods for *exchange*. Goods for use are such as food, clothing, and in short, all goods whose very employment constitutes a "utility." The advantage of the second kind, on the contrary, consists in their suitability for being exchanged either for other real goods (real exchange), or for any sort of service (virtual exchange).

To *produce* these material interests—to create riches—is the point of departure for the economic cycle.

To study the *causes of this production*, to make a Science of it, is the aim of this First Part of our Manual. We will examine in turn the *remote causes* of production, or the *elements of production* considered *separately*.

Then we will take the *immediate causes*, or the *elements of production united*, and made concrete in the form of *industries*.

Lastly, we shall see what are the indispensable *conditions* for any fertile and lasting production of riches.

This Part will therefore contain three chapters—

i. Remote causes, or elements, of production, considered separately.

ii. Immediate causes, or elements, made concrete in industries.

iii. Necessary conditions for the production of riches.

II. *To produce*, means to transform raw material into a form that will supply our needs. This transformation includes a triple element:—A thing to transform: nature ("material element"); that which transforms nature: labour ("formal element"); and the means, or instrument of this transformation: capital ("instrumental cause").

CHAPTER I

Remote Causes, or Elements, of Production Considered Separately

Cf. on this subject:—

Cauwès, COURS D'ÉCONOMIE POLITIQUE. Second Edition. Paris, Larose et Forcel, 1881-1882.
Liberatore, PRINCIPES D'ÉCONOMIE POLITIQUE. Part I.
Brants, LA LUTTE POUR LE PAIN QUOTIDIEN. Second Edition. Louvain, Peeters, 1888.
Devas, POLITICAL ECONOMY. Book I.

ART. I

Nature (Material Cause)

Cf. on this subject:—

Leroy-Beaulieu, PRÉCIS D'ÉCONOMIE POLITIQUE, ch. ii. Paris, Delagrave, 1894.
Hervé Bazin, TRAITÉ ÉLÉMENTAIRE D'ÉC. POL., ch. v.
Jos. Rambaud, ÉLÉM. D'ÉC. POL., Part I, ch. ii.
Périn, RICH. DANS LES SOC. CHRÉT., Book ii, ch. iii. Third Edition. Paris, Lecoffre, 1882.

I. Basic Ideas.—The passive element—the material cause of production—the thing to be transformed—is *Nature.*

Nature includes, 1st, the *earth—i.e.*, the agrarian soil, and the sub-soil, with the mineral riches that it contains (iron, oil, etc.); and 2nd, *natural agents*, which are the

physical and chemical forces—light, heat, moisture, electricity, steam, wind, water-courses and waterfalls. All the properties of various bodies, and all the forces of nature are employed, combined, and directed towards an end of either use or enjoyment by the labour of men.

II. Importance of this Element.—(*a*) All production consists in the transformation of an object; for nothing can be created—*i.e.*, literally brought out of nothing—by human operations. Man can only transform what God has created. Now, as we have said, this object of transformation, this passive element to which a certain perfection and value is to be given, is *Nature*.

We say that nature is a passive element. This does not mean that substances *do not act* by means of their physical or chemical qualities; it simply means, first, that substances—*e.g.*, iron, wood, flax, hemp, have to undergo such transformations as fit them for human requirements: and, further, that the forces with which God has endowed nature must be directed and—so to speak—domesticated, by man, to make them contribute towards production.

(*b*) *Nature*, then, is an *important* element of production; and a *special* importance must be claimed for the *land*, the soil. This importance arises:—

(1), from the fact that the soil provides nearly all the raw material employed in industries; (2), from the disastrous consequences that follow agrarian crises. These were very frequent in the century just past; and experience has proved that, when once raised, agrarian questions are the most terrible, and difficult to solve, of all. Russia has not yet succeeded in restoring her agricultural trade, in spite of the law of 1861, compelling all land holders under certain conditions of indemnity by the state to allow each serf a portion of land of from 5 to 29½ acres: which law was further extended in 1906. Ireland, notwithstanding all her efforts, and the support that she has had from the British Government of late years (*e.g.*, Gladstone's Bill of 1881), sees no perceptible improvement in her

agricultural classes:—nor, consequently, in the welfare of the entire country. What is more, the question of agrarian reform, which originated in Ireland, has spread to the whole of England. Italy's prosperity is languishing, because her peasants are ground down by the tax collector; just as, formerly, Rome saw her power decline, in great part, through the disappearance of the agricultural class.

(c) *The economic conclusion* to be drawn from the primary importance of the land as an element of production, is the need for everywhere favouring the increase of agriculture. It is the true interest of every nation to secure the stability of the agricultural homes by intelligent regulations for the occupation and transmission of land. It is the duty of Governments to encourage agriculture by subsidies; to free property from mortgage; to develop the spirit of association in rural districts, and to increase its influence by means of friendly societies, and co-operation for purchase, consumption, etc.

In Belgium, the importance of agriculture is fully appreciated. To protect and develop this form of industry is one of the chief cares of the Government, and the object of great and noble individual self-sacrifice. Thanks to this impulse, we see our rural districts filled with *Boerengilden*, federated under the *Boerenbond*; and with numerous like societies affiliated to parent associations in East Flanders, Liège, Hainault, Luxembourg, etc.

All these institutions ensure the prosperity and development of agriculture, and at the same time form an insuperable barrier to Socialism.

(III) *The importance* of this factor of wealth *may vary* for different reasons, of which the chief are as follows:—

(a) *Differences of climate.* It is certain that heat, if it is excessive and—above all—continuous, enervates and depresses; and that the abundance and rapid growth of natural products, proper to tropical regions, benumb activity and paralyse invention. Hence, these

countries are, from their nature, incapable of advancing much in civilisation, their inhabitants lacking foresight, initiative, and energy. On the other hand, a perpetually cold climate discourages its inhabitants by opposing insurmountable obstacles to human efforts.

Thus, countries of temperate climate have immense advantages over others. In them, Providence is not prodigal of its gifts, but it grants them to persevering toil; and hence we find in the people of such regions an exuberant activity, a spirit of initiative, and a tenacity of purpose that will stand any test. This is the case with the populations of northern Europe and the greater part of America.

(*b*) *Difference of geographical formation.*—The situation of places has a notable influence on industry, causing a predisposition in certain peoples to such or such a trade. Countries situated near the sea are naturally the lands of commerce and navigation. It is this geographical position that explains the economic *rôle*—and sometimes the political one—of the Phoenicians, Carthaginians, Greeks, Venetians, Dutch, and (especially in our own time) of the English. Other countries may partially make up for the absence of these advantages by a well-arranged net-work of water ways:—by navigable rivers flowing through a considerable part of the land, and near enough to be joined by canals. Such are China and the United States, which have great advantages over the compact, vast countries, far from the sea, and unprovided with well-situated rivers, such as Russia and the African continent.

(*c*) *The geological composition of the soil.*—All soils are not equally fertile; even previously to all human operation, certain countries are more fruitful than others. Who could say, for instance, that the plains of Flanders are not more fertile than the sands of the Campine, or the stony lands of the Ardennes?

Then, there is the sub-soil. All lands are not equally favoured in this respect. Belgium and England are far

superior to France and Spain in abundance of coal-beds. A country that can get its industrial raw material on the spot, by excavating its own sub-soil, has a great natural advantage over others in developing its industries. Consequently, it can support more inhabitants in proportion, and enable them to enjoy greater prosperity.

The inequalities above stated have a providential object. They favour international exchange, draw different races together, and consequently strengthen the tie of solidarity among men, whilst stimulating each nation to develop the particular industry that nature appears to mark out for it.

ART. II

Labour (Formal Cause)

Cf. on this subject :—

Hervé Bazin, TRAITÉ ELEM. D'ÉCONOMIE POLITIQUE. ch. II.

Antoine, COURS D'ÉCONOMIE SOCIALE. ch. X.

Périn, PREMIERS PRINCIPES D'ÉCONOMIE POLITIQUE. ch. II.

Brants, LES GRANDES LIGNES DE L'ÉCONOMIE POLITIQUE. Book 3, ch. I.

Leroy-Beaulieu, PRÉCIS D'ÉCONOMIE POLITIQUE. Part I.

Labour represents the *formal, active* element of production. It may be studied by itself, or considered in its relation to the *division of labour* and to the *machines* that give it more perfection, whether in *intensity* or *extension.*

1. Labour in itself

I. **Definitions.**—(*a*) Labour—or work—is *man's effort applied to production ;* or, again, *human action productive of values.** We may learn the various elements con-

* [Devas (p. 14), adds to the definition of true labour that the return produced is "some good which the operator does not receive then and there": *i.e.*, that the return is *not* pleasure taken in the work. *Translator.*]

tained in labour by considering the nature of the person from whom it proceeds.

Now, this act proceeds from the whole man. Consequently, it requires the simultaneous operation, though in different degrees, of muscular force, intellect, and will.

1. *Muscular force.* Commonly, we understand by this the effort expended in manual labour; but it is also true to say that even all intellectual occupations involve, as an antecedent condition, the co-operation of bodily organs, and hence a muscular effort.

Since, then, no economic work can be carried on without muscular force, it is important to maintain the physical vigour of populations; to encourage public hygiene; to take measures for the sanitation of dwellings and of work-shops; to prosecute those who adulterate provisions; to make war against alcoholism; and to suppress all abuses connected with labour.

2. *Intellectual force.* All human labour, of however modest a kind, presupposes some exercise of the intellect. The greater or less development of this element constitutes the *skill* of the worker; and this skill, again, is developed either naturally or by professional and technical instruction.

A *naturally* intelligent and enterprising workman can easily find some way of improving his methods: several important discoveries, indeed, have been made by simple workmen.*

But it is trade teaching, especially, that will improve the workman's labour. This must not, however, be specialised too far:—the great point is to spread general technical knowledge, which raises the labourer in his

* Thus, M. Jourdan relates, in his *Cours analytique,* p. 99, how a child named Humphrey Potter, employed to open and shut the taps of the primitive steam-engine constructed by Newcomen, being struck by the relative situations of the arms of the "governor" and the taps, got the idea that two pieces of string fastening the "governor" to the taps would quite well do his work for him:—and went off to play! (Hervé-Bazin, *l.c.*, p. 96, *note.*)

own eyes, makes him love his trade, hinders mere routine, and helps industrial progress. Professional instruction is beginning to spread in various countries. In Belgium, besides the Higher Special Schools, we have commercial and scientific lectures, a good many trade schools, trade lectures, workshops for apprenticeship, and domestic schools and classes.

The results are notable,* though the technical teaching is only in its earliest stage. (*See* Vermeersch, *Manuel Soc.*, 2nd ed., Part II., Heading I.)

3. *Moral force* is an essential condition of labour. Work is painful to fallen nature; and, hence, without moral strength and energy of will, man will not work. But, in order that labour may be an element of material well-being, it is not enough for man to set himself to work :—*he must persevere*, and find peace and happiness in it. Now, the self-sacrifice needed for working with constancy and generosity can only be acquired through practising the high principles of Christian religion, for that alone has the secret of filling man's heart with a sense of duty. That alone can ennoble labour: the Divine Founder of Christianity Himself taught us its dignity; and the Church, who carries on His work, honours labour, practises it in her monastic orders, and recruits her clergy from all classes of the population.

(*b*) The true idea of work, furnished by Christianity alone, comes out more clearly when contrasted with the heathen idea of it, and also with the notions of modern unbelievers on the subject.

The nations of antiquity despised work. Aristotle and Plato pronounced it "illiberal" :—*i.e.*, unworthy of a freeman, (Aristotle, *Politics*, III. 3.; Plato, *Republic*, 2). The Greeks and Romans looked upon labour as the occupation of slaves; and in Terence's day it was necessary, if one would be respected and held in consideration in Rome, to lead a life of leisure.

* According to information supplied by the Minister of Trade and Labour, the number of domestic schools and classes [in Belgium], in 1905, was 287.

Modern unbelieving Economists have gone to the opposite extreme, and have believed that work is the final end of mankind. Nature, for them, is merely a machine for production. The consequences of such a theory are:—forgetfulness, or even contempt of the moral character of man; culpable use of his poverty and weakness by excessive labour; and the consequent employment of women and children in manufacture, without attention paid to health or morality.

Christianity alone is capable of inculcating right notions on work; and these notions may be summarised in the three following principles:—

1. Labour is a *means* of attaining the last end of man.

2. It is a fatigue, and a *penalty* imposed upon man as a sinner.

3. It is a *duty* for all; an opportunity for merit; and —when heartily accepted, after the example of our Divine Redeemer—becomes a source of peace and happiness.

II. **Different Kinds of Labour.**—One universal economic fact is the division of labour into *invention*, *direction* and *execution*. This division is based on man's very nature.

(*a*) *Invention* is mental work, discovering the means to be employed, and the processes to be used, to ensure abundant production. This is especially the business of engineers. They discover unknown matter or forces, improve apparatus and give a more profitable direction to manual labour.

(*b*) *Direction* is the share of the entre-preneur (master, employer, or "captain of industry"). *

(i.) The office of the entrepreneur may be looked at from a triple point of view:—

Labour, capital, and nature, taken separately, can produce no result. They must therefore be combined

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* [See *Devas*, pp. 112, 113, on these various titles for the head of a large business. He adopts "entrepreneur" in English, *Trans.*]

and *directed* towards a common end. This is the *first* business of the entrepreneur.

The entrepreneur takes upon himself the *responsibility* and the risks to be run: this is his *second* function. He promises a fixed remuneration: if he has calculated wrongly he must bear the loss himself. But, if he runs the risks, he has also the right to keep the profits that are the result of his own sagacity and foresight.

In the *third* place, the entrepreneur represents *unity and authority* in industrial enterprise. He is therefore the chief cause of its success; for, without degrees in office, there is no order—therefore, no fit apportioning of means to the end—therefore, again, no success possible.

(ii.) This triple function of the entrepreneur shows the high qualities, both physical and moral, with which he should be endowed.

He needs to have *skill*, *foresight*, and *steadiness*. He ought to know and understand mechanical and technical processes, and be able to adapt them; to follow the fluctuations of the market; to gage the changing tastes of the public, to seize opportunities—meet orders—and, in short, hold his own against competition. He ought, further, to arrange the payment of business officials; regulate the employment of capital and of machinery; organise labour; and solve many delicate questions that arise in connection with his undertaking in its relations with contractors, customers, etc.

Besides this he requires *moral qualities* of a very uncommon degree in justice, charity, and benevolence. It is the entrepreneur's office to subtract from the profits of the business the exact shares for wages, rent, and interest. He ought to be, in its true sense, the "patron" of his workmen, watching over their material, intellectual, and moral interests. This patronage ought to be exercised *during* work-time, by a helping hand, by relief, by kind watchfulness, by the keeping up of friendly relations, and by readiness to hear the workmen's opinions. *Outside* the establishment, it should

be exercised in numerous ways, and by means of various practical institutions, chosen as the occasion arises and according to circumstances :—banks, libraries, clubs, dwellings, savings, kitchens, economical modes of heating, hospitals, and almshouses. (*See*, for some of these works in Belgium, Vermeersch, *Manuel Social*, Part II., heading i.)

(*c*) *Execution* belongs to the workmen, working collectively under the direction of the entrepreneur. They depend upon the latter, sometimes immediately, sometimes through their intermediaries, foremen, overseers, or heads of work-shops, etc.

The one who executes the work, *may* at the same time be the entrepreneur. The farmer, the miller, the coach-builder, is both worker and entrepreneur; not, of course, to the *same degree* as a captain of industry, but *by the same right.*

2. Division of Labour.

I. **Theory.**—The Division of labour *consists in breaking it up into a series of small separate tasks, each one of which permanently occupies a particular category of workmen.*

It pre-supposes *direction* by a *single Head*, binding together the individual operations to one common end.

Division of labour does not belong only to each trade by itself; it extends to the whole economic system, and plays its part in the right subordination of offices in every kind of work :—in the labours of invention, direction and execution, each being sub-divided in its turn; in the choice of professions throughout society :—of the priesthood, the bar, the medical school, trade, agriculture, etc.; in the special forms of industry adapted to different localities :—as extractive industries (*e.g.*, Middlesborough, the Potteries)—agriculture (Somerset)—commerce (Manchester).

II. **Advantages and Disadvantages.**—(*a*) *Advantages.* 1. Division of labour develops *professional skill*, and *dexterity in the workman*, whether intellectual or

manual labour is in question. It is a well-known fact that frequently-repeated movements of the muscles become mechanical, till they are at last accomplished with marvellous rapidity and precision. The mind, as well as the muscles, improves by a uniform kind of work. It is *habit* that gives the barrister ease of speech, and the accountant quickness in calculation.

2. Division of labour economises *time*. The workman need change neither place nor tool.

3. It *diminishes the length of apprenticeship*.—Formerly, years of apprenticeship were needed to become master of a trade: now, the youth of twenty earns his wages. A nail-maker can produce as many as 2500 nails a day, whereas a blacksmith will not make a thousand; a young cigarette-maker can roll 1500 cigarettes daily; 30 workers can make 15,500 playing cards in a day—about 500 a head—whilst a man who has to perform all the operations necessary to complete a card, by himself, could not finish two a day.

4. It allows of *profiting by the special capacity of each worker*, particularly so in the case of women and children. It has been found, in fact, that wherever labour is highly divided demand for the weaker "hands" increases:—*e.g.*, in spinning factories.

5. It causes *quick processes* to be discovered:—shortening of tasks—what may be called cunning of hand, or "knack"—because it reduces each operation to a very simple and uniform motion.

(*b*) *Disadvantages*:—(1) Division of labour, to begin with, has been reproached with turning a man into a mere machine, and *lowering him morally and physically*. It is but a poor thing to look back upon, they say, if a man—for instance—has spent his whole life in turning a handle or polishing pins' heads.

(2) The labourer *is made more dependent on accidental circumstances* that may, from one day to another, deprive him of his earnings:—*e.g.*, a crisis, the improvement of a machine, an invention, etc. Formerly, a workman who failed in one form of labour was able to take up another.

Conclusion:—It would be wrong entirely to deny these disadvantages; but it would be worse to exaggerate. It is not at all certain that a workman who spent his life in making, not the 70th part of a playing-card per day, but the whole card, would on that account be more highly developed; nor that the mechanic of our present great factories has his intellect more stupefied than the blacksmith of former days.

Moreover, the development now attained by industries, thanks partly to the division of labour, allows of *a limit to the day's work*, which enables the labourer to develop his physical and intellectual powers in a more natural manner. This limitation of the hours of work is already being introduced in various countries.

To this we may add the *Sunday rest*, which snatches the labourer, for one day once a week, from his low, material, worldly occupations, and turns his mind and heart towards higher thoughts and hopes.

Lastly, the real inconveniences of division of labour may be *diminished by good organisation of work*, which is obtained by work-shop regulations consistent with Christian justice and charity. These regulations should prescribe a time for relaxation, sufficient to repair the physical and moral forces of the workmen; and they should also prevent excessive division of labour. Such division ought to stop at the point where it ceases to be a real saving to the workman, and where the profit on the operation would be made at the expense of health, intelligence, or morality in the operator. To maintain equitable relations between capital and labour is partly the business of corporations, unions, trade, labour and arbitration councils.

3. Mechanical labour. Machines

I. **Theory.**—Division of labour, which offers so many advantages, cannot be pushed very far except in trades that use machinery.

(*a*) The *machine* must not be confounded with the *tool*. Man, from the very beginning of civilisation, has tried to strengthen his bodily powers by certain rudimentary

instruments:—the hammer, the arrow, the bow, the bellows, the stone or iron knife. The property of a tool is to be *moved* by the hand of the workman; the machine, on the contrary, is not moved, but merely directed by the workman. It is the forces of nature, skilfully used, that move the machine.

Neither must the machine, properly so-called, be confused with the *tool-machine*, which is midway between a tool and a machine:—*e.g.*, the sewing-machine, and the first looms invented by Vaucanson and Jacquart.

(*b*) The *era* of the real machine is modern. It dates from 1769, the time when steam was first employed, thanks to the practical discoveries of James Watt. Since then, the inventions of Stephenson, Volta, Bessemer, Liebig, Edison etc., have revolutionised economic organisation.

The forces of nature are now more and more pressed into service, not only in consequence of unforeseen discoveries, but also by the effect of methodical training, and by the development of special *technique*.

(*c*) This extension of machinery, however, is subject to *certain conditions*:—

To set up machines advantageously, *abundant capital* is required, for the necessary initial expenses of the construction and up-keep of buildings and apparatus, and the installation of engines.

Then, it is not enough to produce enormous quantities: a *ready sale* must be found for the products; and consequently a wide market and ways of communication must be obtainable.

Again, a certain amount of knowledge and skill amongst the neighbouring population is needful; as, without this, sufficiently good workmanship for directing, and at times repairing, machinery cannot be found.

Lastly, before producing goods of any one kind in large quantities, it is essential to make sure of a constant and regular market for them, even for the *future*. Hence, the objects made must not be of a kind likely to be much affected by changes of fashion:—such as mere luxuries.

II. **The Question of Machines.**—In Political Economy, it is not enough to mention the introduction of machines, and their enormous increase; their good or bad influence must be examined.

Economists unanimously confess that, at the time of their first invention, machines were the object of popular antipathy. During the strike that broke out some years ago in the Belgian glass-works, the workmen broke the "tank-furnaces" which made work quicker and cheaper. In 1848, the French workmen broke what they called the *méchaniques*; in 1830 the English labourers destroyed the new ploughs and the improved agricultural implements. Jacquart—inventor of the loom that bears his name—was pursued, and three times nearly killed. Printing, wooden bellows, stocking-looms, steamboats, locomotives:—all aroused, on their first appearance, popular hatred. Even in our own day, people are not wanting who sincerely believe that machinery is a curse to society.

We will therefore examine the *pros* and *cons*, for what has been called the "question of machines."

(*a*) *Advantages.*—(1) Machines *multiply*, sometimes a hundredfold, the results of labour. There are plenty of examples to support this statement.*

(2) They *lessen fatigue* in the case of numerous heavy labours:—*e.g.*, in rowing, turning mill-wheels, loading and unloading vessels, etc.

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* Here are some of them:—the steam-hammers in certain iron factories, weighing from 8 to 10 thousand kilogrammes, can strike from 200 to 300 blows a minute. The boilers of some steamers are of 8 to 10 thousand horse-power; that is, equal to the ceaseless work of from 20 to 30 thousand men. The machines used on railways for stamping tickets manage to do 70,000 in a day. A workman in iron factories, before the introduction of machinery, could produce from 11 to 17½ lbs. daily; now, in the blast-furnaces, the production by each man is 30 times as great. A train, nowadays, can transport as much *at once* as would formerly have been carried with difficulty by 20,000 porters. The circular loom for hosiery can make as many as 480,000 stitches a minute. The *New York Herald* prints as many copies in a night as would once have engaged the time of 600,000 copyists.

(3) They enable us to *make use* of the by-products of raw material (formerly wasted), as well as considerably diminishing them; also, they make all industrial products cheaper,* and cost but little to keep up.

(4) They impart to all labour a degree of *precision*, *regularity*, and sometimes even *delicacy*, which far surpasses that of manual work.

(*b*) *Disadvantages.*—(1) A machine, doing the work of ten labourers, puts nine of them *out of work*, and hence deprives them of their daily bread. Now, the aim of production in any society is not merely to produce, but to ensure the means of existence to its members.

(2) True economic progress should be measured by the material welfare it bestows upon men, particularly on the class of workmen. Now, machines, and the industrial movement that they have fostered, *have not improved the situation* of the working classes. We find amongst them just the same wretchedness—labour that is sometimes harder than before, and certainly less ennobling—and actual wages that are generally insufficient to maintain a family.

(3) Machines produce more things, and at lower price:—true; but the products are *worse*, *less solid*, and *less durable*. There is much fraud and delusion in cheapness.

(4) Machinery has introduced *over-crowding of workpeople with all its drawbacks*:—the disappearance of family life, the hurtful influence of bad example, unhealthy over-excitement, and an atmosphere generally disastrous to soul and body.

Conclusion:—Such are the chief complaints brought against machines. A good deal of truth cannot be denied to them: still, presented in the above form, they are certainly exaggerated.

(1) First, it is inaccurate to say that machines diminish the demand for labour, and so take the bread out of the

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* Four centuries ago, a MS. Bible cost more than £40; a library of 30 volumes cost a fortune.

workman's mouth. The machines themselves create a new demand for work; a whole army of workmen is needed to construct, set up, keep going, repair, and direct them. It would be hard to reckon the labourers employed by railways, printing-presses, cotton-spinning and weaving mills, and factories of all kinds.

(2) The physical and moral wretchedness, pointed out in objections (2) and (4), which go on in spite of machines, do not constitute a solid argument against machinery. "Machines," people say, "have not improved the condition of the working-classes." This is an assertion hotly contested by a good many economists, and contradicted by the advantages above enumerated. But, granting this assumption:—the fault does not lie with the machinery, but with the abuse of its application. The machine was the occasion, but not the cause, of an exaggerated activity in trade, and of a fever for production which induced the stronger classes to exploit the proletariat.

In the same way, machinery was the occasion, but not the cause, of the disadvantages often resulting from over-crowding of work-people. Such disadvantages are real: "We might venture to say," writes M. V. Brants, "that from a social point of view the factory, wherever it was organised, brought about a retrograde movement of humanity" (*Grandes lignes*, p. 174, vol. i). But these are abuses, not necessarily springing from the use of machines.

The true conclusion here is that scientific inventions are not enough to ensure social happiness. The higher influence of Christian masters, the protection of a Christian state, and the whole force of the moral and religious teaching of the Church, must be added.

(3) It is exaggerating, again, to say that machines have banished strong and durable work, and that the cheapness which is their result is at bottom only cheating. What cheating is there, for instance, in using a well-printed book that costs two or three shillings, rather than a manuscript containing the same matter, costing

about £5? Are matches made by machinery less useful than those made by hand which would cost twenty times as much? Is it better to cross Belgium in a *diligence*, or on foot, and to take several days about it, than to make the same journey in a few hours by train? Are goods transported more profitably, more cheaply, and above all, more rapidly, by 20,000 porters than by steam? Are our pins and needles coarser, or more perishable, or less suitable for their purpose, than hand-made ones?

Doubtless, a machine often turns out things that appear better than they are; but it would be illogical to make a general rule of such instances and to draw from them an argument against all machines.

(4) Lastly, the employment of machines is a *fact*, and has become a necessity in the industrial world; the great point, therefore, is to get the very utmost out of it, and to diminish its disadvantages. What we have to do, now, is to assign to machinery its proper social function. This function consists in being an instrument for *making the workman's task easier*, and for *bringing profit to both employers and labourers*. With this object, some immediate reforms are urgent:—to protect the health, strength, and morals of the workman by suitable measures; to tide over transitory changes in modes of production; wisely to regulate the nature and duration of women's and children's work; and, by raising their wages, to make the working-classes profit by the greater facilities introduced through the improvement of machinery.

More than one reform of this kind has been already carried out in different countries, either by the initiative of associations between masters and men, or by civil legislation. Thus, in Belgium, there are the laws of 1889, on the labour of women and children—of 1896 (June 16) on work-shop regulations—of 1899 (Sept. 8) on labour-contracts—and many others as well.*

* [*Cf.* also, for Great Britain, G. Tuckwell and C. Smith, *The Workers' Handbook*. London, Duckworth, 1909. *Trans.*]

ART. III

Capital

Cf. on this subject :—

Leroy Beaulieu, PRÉCIS D'ÉCONOMIE POLITIQUE. 1st Part.

Jos. Rambaud, ELEM. D'ÉCONOMIE POLITIQUE.

Antoine, COURS D'ÉCONOMIE SOCIALE. Ch. XIII.

Brants, GRANDES LIGNES. Book III., Head. 3.

1. Definition, and Formation of Capital

(*a*) **Definition.**—The idea of capital is much-discussed and ill-defined. The reason for this seems to be that the economists who have treated the production of riches scientifically—such as Adam Smith—have given one definition of it, and that variations in language have caused others to be adopted.

Let us, then, distinguish between (i) the scientific definition, and (ii) the common definition.

(i) Scientific Definition : *Capital is an economic good destined to be the instrument of a fresh production.**

What distinguishes Capital from the other two factors of production is its function as an instrument. It stands between the labour that transforms, and the "nature" that is transformed.

(ii) Common Definition. In Book-keeping and trade, Capital has been called :—the first fund with which one starts an undertaking. Others have gone further, and define Capital simply as :—all value of whatever kind.

The reason of these divergences is the difficulty of making a practical distinction, in one and the same

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* *Block* defines Capital :—"An accumulation of products destined for production ;" *Hervé Bazin :* "a portion of riches produced, put aside, and devoted to re-production ;" M. V. Brants says : "Capital includes all the riches produced that are appropriated by the owner for a fresh operation" ; and *Smith :* "that part of the stock from which one hopes to draw an income, is called Capital."

thing, between the share belonging to natural agents, that which results from labour, and that which constitutes Capital in the strict sense. For example, *cattle* form a capital produced by the breeding-trade; natural forces have contributed towards this, and the labour of man as well; how are we to separate these different elements?

Thus, we shall find many variations in *enumerating* forms of Capital. Keeping here to the "scientific" definition given above, we understand by Capital the following things:—buildings, dwelling-houses, materials, money, factories, workshops, tools, instruments, natural or artificial products, *in as far as all these objects are destined—either by their own nature or by the will of man—to be used for the ulterior production of riches.*

(*b*) **Formation of Capital.**—There are two elements in Capital: one common to all economic goods; the other peculiar to itself:—*i.e.*, the fact of its being destined for ulterior production.

We have nothing to do, here, with the formation of Capital under the first head, this part of our work being entirely devoted to the study of how to *form economic goods.*

Considered under the second head, Capital is chiefly formed by saving. For what, indeed, are such acts as the putting aside of an object that it may become an instrument of reproduction—the abstention from enjoyment of acquired riches in order to acquire more—the sacrifice of an immediate comfort with the aim of providing for the future of a family—but different forms of *saving*?

Saving itself is subject to the influence of various causes:—

(1) It is rendered easier by *abundance of present production*; for, the less objects produced are needed for immediate support, the more easily are they preserved for the future.

(2) A man will not be properly incited to save, unless he has *confidence in the future*, and feels sure that he

will not be deprived later on of the fruit of his present sacrifice. If saving has become so highly developed in Belgium, it is thanks to the stability of its institutions, and to the confidence inspired by the State, which guarantees the Savings Bank.

(3) A *family to support*, or an *inheritance* to leave behind, are another stimulus to saving. Unmarried people rarely form Capital. Hence, the two institutions of the family and inheritance are a benefit to society, even on the simple ground of industrial progress.

(4) *Energy of will* is another condition of saving. For to renounce a certain immediate advantage, in view of obtaining an uncertain enjoyment later on, necessarily requires an effort; and effort takes strength of will for granted.

(5) Lastly, *Institutions*:—savings-banks, post-office banks, superannuation funds, etc.—all greatly encourage saving, because they supply a practical means of carrying it out.

(*c*) **Divisions of Capital.**—(i) "Capital is an economic good destined for ulterior production." The manner in which it exercises this function gives us the chief division into *circulating* and *fixed* Capital.

Fixed Capital is what remains after production, and is to serve ultimately for further operations. It is not exchanged till it becomes useless. Machines, buildings, and improvements of soil, are fixed Capital.

Circulating Capital is that which is absorbed in the work of production. It is also called loose Capital, working Capital and floating Capital. Circulating Capital may be absorbed in two ways:—by changing its form—*e.g.*, fuel, household provisions, manufactured products; or by changing hands—*e.g.*, money or bonds.

(ii) The distinction between fixed and circulating Capital is of *great importance*:—

(1) *As regards production.*—It is of great consequence, if we would avoid crises in trade, to maintain equilibrium between the two kinds of Capital. If the means of production are too abundant in proportion to the raw

material for transformation, they remain unproductive: —*e.g.*, it is useless to construct a network of railway-lines, if there are no goods or travellers to transport.

(2) *As regards facility of conversion.*—Circulating Capital is always capable of change, and hence its productive power may easily be applied to different branches of industry. But it is not so with fixed Capital: —with factories, machinery, etc. The latter, therefore, sometimes loses a considerable part of its value very suddenly, in consequence of a crisis or of the introduction of improved systems.

(3) *As regards redemption.* Every producer must recover for his expenses. The mode in which he does this differs, according to whether the capital is fixed or circulating. If it is circulating—*i.e.*, if it is all absorbed in one operation—the producer must re-constitute it entirely each time. If the capital is fixed, it need only be partially redeemed. Fixed capital, in fact, is lasting, and is only used up imperceptibly. Strictly speaking, it is enough for the producer to re-constitute it, by its equivalent, when the time comes for it to be useless. We say "strictly speaking," because a prudent capitalist will not be satisfied with dividing the amount to be redeemed by the years for which the fixed capital is expected to last, but will take care to provide for the future:—*e.g.*, for a necessary change in apparatus in the course of industrial progress—for a liquidation—for sudden reverses—or for a poor year.

The different ways of calculating what is to be redeemed applies also to the lending of capital to a *third person.*

If the capital is circulating, repayment must be in the form of an *equivalent;* that is, either in something *formally similar*—*e.g.*, fuel for fuel—or in something *virtually similar*—*e.g.*, money, in return for fuel or raw material.

If the capital is fixed, the re-payment ought to be *identical.* In the latter case, as the object to be restored is the same, and as it has necessarily undergone wear

and tear during the operation, the lender has a right to demand an indemnity :—at least, unless the contract was a purely disinterested one (*commodatum*).

If, further, the lender requires an indemnity for his own non-enjoyment of the object lent, this indemnity is called *interest* in the case of circulating capital, and *rent* in the case of fixed.

(*d*) **Importance of Capital.**—The theory of Capital furnishes a proof of its utility. Capital is the instrumental cause of production. Now, without an instrument, labour (formal cause) cannot get at nature (material cause) except very imperfectly.

Our minor premise is proved by what has been said above of the advantages of machinery, which must, indeed, be considered as one kind of capital ; and it will be proved again by what we have to say further on about the function of money, which is also capital.

Lastly, this utility has never been denied by anyone—not even by socialists. If they want to rob the capitalists, and put all productive goods into the hands of the State, it is because they acknowledge their great importance for the production of riches.

If they find fault with capital and capitalists, it is because they profess to think that capital is a theft :—a thing unjustly levied on the labourer's wages.

CHAPTER II

Immediate Causes, or Elements of Production, as United in Industries

Cf. on this subject :—

Jos. Garnier, TRAITÉ D'ÉCON. POLIT.

J. B. Say, COURS D'ÉCONOMIE POLITIQUE. Paris, 1840.

J. Stuart-Mill, PRINCIPLES OF POLITICAL ECONOMY, bk. i., ch. ii.

Schultze-Gavernitz, LA GRANDE INDUSTRIE. Leipzig, Duncker and Humbolt, 1892.

REVUE D'ÉCONOMIE POLITIQUE, 1889-91.

Liberatore, PRINCIPES D'ÉCONOMIE POLITIQUE. Part I., ch. xii.

Hervé-Bazin, TRAITÉ ÉLEMENTAIRE, chs. 8-13.

Jos. Rambaud, ELEM. D'ÉC. POL., chs. 6 and 7.

Périn, PREM. PRINC. D'ÉC POL., chs. 2-11.

Beauregard, ÉLÉMENTS D'ÉCONOMIE POLITIQUE. Paris, Quantin, 1889.

Before studying particular Industries it is as well to give some explanation of industries considered generally :—

This chapter will therefore be thus divided :—

I. Industries in general.
II. Agricultural industries.
III. Extractive industries.
IV. Industries of Transport.

Commercial industries will be better placed in Part III, under the head "Distribution of wealth"; whilst

manufacturing industries do not need, in Political Economy, any further treatment than they will receive in this Part under the head of general ideas.

ART. I

Industries in General.

Cf. on this subject :—

Brants, GRANDES LIGNES, bk. ii., ch. 7—and LA PETITE INDUSTRIE CONTEMPORAINE. Paris, Lecoffre, 1902.
Antoine, COURS D'ÉCONOMIE SOCIALE, ch. vii., art. 7.
REVUE D'ÉCON. POLIT., 1890, 1891, and 1893.

Industry is neither nature, nor labour, nor capital, but the concrete union of these three factors. We may therefore call it the immediate cause of production.

It is according to the state of its industries that we usually estimate the economic situation of a country as prosperous or languishing.

Whatever concerns industry in general, comes under the following double classification :—

FIRST CLASSIFICATION

Large- and Small-Scale Industries

(*a*) **Theory.**—This division is found wanting in exactness, when put into practice. We have only approximate *data* for determining whether particular branches belong to the large- or the small-scale industry :—*e.g.*, the number of men employed ; the nature of the appliances, according to whether mechanical motive-power is used or not ; or, again, the smaller or larger number of the managing staff. In other words, what marks the large Industry is partly production in large quantities ; and partly, as a necessary consequence, the separation of capital and labour, whether in direction or execution. In the small industry the employer is at

the same time the capitalist and works himself with a small number of men.

The *small-scale industry* takes *two distinct forms* :—

(i) The *Patriarchal or Family Industry.*—Each family makes the chief objects of its own consumption. This form is peculiar to regions in which communication and exchange are but little developed, which means that in these days it has almost disappeared. Some families, however—*e.g.*, in the Campine, still continue to make their own fabrics.*

(ii) *The small workshop.*—This differs from the Family Industry, first in its *aim*, which is to make things—such as clothes, tools, etc.—not for family use, but for customers; and secondly in its *organisation.* The Captain of Industry is still the *paterfamilias*, and works with his children; but he usually also employs paid outsiders. The latter are not properly speaking servants, but apprentices, and have the prospect before them of one day becoming employers themselves.

Under this head we may place the small carpenters', blacksmiths', or millers' trades, etc., such as are found particularly in the country, and in small towns.

The *Large-Scale Industry* is also *divided into two well-marked types* :

(i) The "scattered industry;" also called *collective.* In this, the *employés* work at home, and by the piece; they are therefore not *entrepreneurs*, but do their work for a capitalist. The things they send in are often unfinished, and receive the final shape, in which they will be delivered to the consumers, from the entrepreneur. Under this system the working family preserves a certain degree of independence, and keeps up the tradition of work round the domestic hearth. We may place in this category the gunsmiths in the province of "Liège and Solingen" (Rhenish Prussia), the cutlers of Gembloux, London, Sheffield, etc.

* The various forms of industry have been made the object of special study, especially in Germany. Roseller, Schmöller and Bücher have analysed them carefully; but they are not agreed.

(ii) The *Factory.*—This has for its distinctive mark the grouping of labourers in one central workshop. The cause of this assemblage of workers is the machine, which is indispensable for production, and must therefore be superintended and fed.

(*b*) **Advantages and Disadvantages.**—The largeand small scale industries each possess advantages and disadvantages that can be shortly summed up :—

(i) *The large-scale Industry.* — (1) *Advantages* — "Better allotment of tasks, and use of talents ; more perfect division of labour ; better utilisation of material and capital ; continuous work through co-ordination of markets ; economy in general installation-expenses, in salerooms, and in commercial action ; improvement in both technical and commercial direction ; employment of more considerable motive-power, increase in production, and decrease in expenses and in the price of each unit produced ; formation of a class of great traders and engineers, who take the initiative in technical and commercial progress." (Brants, *Grandes Lignes*, vol. i., p. 188, 4th Ed.)

(2) *Disadvantages.* — Production *cannot be stopped* without great loss. The small Industry, on the contrary, can stand still during a crisis more easily.

The concentration of capital, especially joint-stock, *increases feverish production*, encourages speculation, and thus brings about periodical crises, failures, and enforced idleness of workmen.

Large industries constitute a permanent danger of *monopoly* in certain commodities. Facts prove that this danger is not imaginary (*e.g.*, monopolies of sugar, petroleum, or metals).

Large-scale industry *develops the proletariat*, and leads to divisions and the struggle between classes. If its centre is a "Factory," it exercises a *disastrous influence* on family life and morality amongst the workers.

(ii) *The small-scale Industry.*—(1) *Advantages.*—The authority of the head, unity of direction, and careful

superintendence, prevail here more than in the large industry. Consequently, personal initiative, attention to work, and a spirit of order and economy are better developed.

The small industry has a great advantage over the large, wherever delicacy and elegance of production, rather than quantity, size, or cheapness, are in question.

(2) *Disadvantage.* — The small Industry, besides laying no claim to the important advantages above enumerated of the large one, frequently entails a serious inconvenience. The small trader has to live, to keep up his custom, and to fight against powerful rivals; hence, very often, a state of great over-work as regards both time and intensity.

Clearly, we cannot dream of abolishing the large Industry: it would be the ruin of commerce. Yet its abuses ought to be corrected, and its disadvantages minimised. Several remedies have been proposed with this view:—such as the development of home-work by the transmission and distribution of motive-power; protection given to small industries for home-trade; and the expansion of large-scale business for foreign trade by means of international exchanges.

SECOND CLASSIFICATION*

(*a*) This is made according to the respective objects produced by the Industries. On this basis we can form **five classes.**

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* There is yet another classification that may be made, though of less importance, based on the *destination* of the products. (Stuart-Mill, *Principles of Political Economy*, ch. ii.)

We may thus distinguish:

(1) *Preparatory* Industries of consumption which deliver the goods unfinished, and still needing further transformation before they can be consumed:—such are spinning, weaving, corn-grinding, the cultivation of rye or wheat.

(2) *Final* Industries of consumption, delivering finished products, ready for use:—*e.g.*, building, bakery, tailoring.

(3) *Auxiliary* Industries, supplying objects not to be *directly* enjoyed by consumers:—*e.g.*, the making of tools or machines.

(1) *Agricultural industries.* (Fishing and hunting can be added to these). Such are the cultivation of cereals and the breeding of cattle.

(2) *Extractive* Industries, drawing forth products ready-formed by nature :—*e.g.*, minerals, oil, salt.

(3) *Manufacturing* Industries, transforming the raw material furnished by the preceding :—*e.g.*, spinning, weaving, printing, metal-work.

(4) The industry of *transports*, carrying products from one place to another :—*e.g.*, navigation, railways.

(5) *Commercial industry*, concentrating objects of consumption in one place, and offering them to the public, such as Banks or Stores.

(*b*) **Justification of such a division.**—Industries have no right to the name unless they *add* to the utility of the things that are their special objects :—in other words, unless they are productive. This character of productiveness has been denied to the industry of transports and to commercial industries, by some authors. But if we consider their function in regard to production we shall see how little ground there is for such an assertion.

An industry is truly productive when it adds to the utility of its object. Now, all objects are more useful to us when they are in the place where they can best satisfy our needs ; and it is just the industry of transports that gives them this utility ; therefore, that industry is productive. Who, for instance, will deny that fir-trees from the North are far more valuable when transported into a country where there are no fir-woods ?

It is the same with trade. Commercial industries bring together riches and the people who need them. Now, this *bringing together* in itself forms an additional utility. It is the work of tradesmen who buy in wholesale and sell in retail. Without the village store-keeper —to take only one instance—the villager must go, to supply himself with all kinds of groceries, clothing, tools, etc., to various factories, perhaps a long way off. The store-keeper, by saving him all these journeys and

his loss of time, adds fresh utility to the objects he sells.

(c) **Solidarity of Industries.**—All these different trades have joint interests, as is satisfactorily proved by their various objects. Commerce, and the transport industry, would have no *reason for existence* if there were no products to exchange or carry. These products are supplied by agriculture, and by the extractive and manufacturing industries. The last, in its turn, presupposes the two first; for what would be the use of spinning and weaving without the agricultural industry? And where would iron-factories be without the mining industry? On the other hand, how could we cultivate, mine, etc., without tools? And how could we circulate goods without commerce and the transport industry? Examples might be multiplied. They would all prove that a crisis, occurring in one industry, re-acts indirectly on the others; that a country cannot neglect one industry without running a risk of endangering all the rest, sooner or later; and that it is to the interest of every country to maintain a certain proportion between different industries, whilst specially encouraging the one which is the foundation of the whole industrial system :— agriculture.

ART. II

Agriculture

Cf. on this subject :—

Brants, GRANDES LIGNES, bk. vi., heading 5.

Biederlak, HET MAATSCHAPPELIJK VRAAGSTUK, 2e Decl., 1e Hoofelst (trans. from German by A. Y. Verhægen). Averbode, 1900.

Cauwès, COURS D'ÉCON. POLITIQUE, vol. i., 2nd ed. Paris, Larose et Forcel, 1881-82.

Le Play, LA RÉFORME SOCIALE, *passim*.

The science of Political Economy has nothing to do with the relation between cultivation and capital, or

between markets and population. Similarly, it has nothing to do with the improvement or enriching of the soil, manuring, etc. All this belongs to *Rural Economy*.

I. General Theory

I. Definition and Divisions. — (*a*) *Definition.* — *Agriculture comprises all works necessary for cultivation of the soil, for its enrichment, and for gathering in its products.* It is the most ancient of industries, the most indispensable, and the most important because of the number of workers employed in it. In the economic order, it is one of the chief elements of prosperity; in the social order, the class of agriculturists is a conservative power, consisting of good men, attached to the soil:—strong, useful, energetic and independent.

(*b*) *Divisions.*—1. The *pastoral* system was, historically, the first mode of cultivating the soil.

Next came cultivation by leaving the soil *fallow*:—*i.e.*, it is left to rest, and to re-absorb, by contact with the rain and the air, whatever elements of fertility it has lost by the previous crop. This is called the *alternative* system.

Lastly, when the population is too dense to draw its sustinence from the earth by means of the pastoral and alternative systems, the *continuous* system is applied. It consists in giving back to the soil, by means of carefully-applied manuring, the substances that it loses at each harvest.

2. Another distinction made is between *extensive* and *intensive* cultivation. *Extensive* cultivation is when a given amount of labour and capital are spread over the largest possible surface:—the "fallow-land" system is one application of it. It is specially suited to countries where the land is easy of acquisition, and where capital is scarce. It is practised in some parts of the Belgian Ardennes.

Intensive cultivation aims at drawing the maximum product out of a limited area. The means used for it

is the *continuous* system; for, if the earth does not get back what it expends in the growth of each crop, it will shortly be condemned to sterility. This obvious fact was denied by the first English economists, who believed the original properties of the soil to be indestructible. Science, and the study of facts, have ruined this theory: —science, by proving that vegetables are fed, not by moisture, but by chemical substances:—the study of facts, by pointing to most fertile countries, in Arabia, Mesopotamia, Sicily, the coasts of Africa, Carolina, Virginia, Georgia, and even certain parts of Spain, that have now become deserts or uncultivated lands.

3. We may also distinguish between *large* and *small-scale farming*. This being an important point, we reserve its treatment for § 2.

II. Various Kinds of Land-Tenure. — (*a*) **Yeoman Farming.**—This consists in cultivation *by the owner*. If the owner of the land works with his own hands, or at least personally directs the work, we have *direct* farming; if the management is entrusted to a bailiff, it is farming *by a foreman*.

The *advantages* of this first mode of farming an estate are many, and undeniable.

From the *economic* point of view, it satisfactorily combines the benefit of constant improvement to the land, with the immediate advantage of drawing the greatest possible profit from it. The proprietor who farms his own land, embarks all his capital in the business, sure of having time to get back its value; he turns every detail to profit, provides for the future, and gives minute and constant attention to agricultural requirements.

From the *social* point of view, *farming by the owner* has immense advantages. The proprietor, cultivating his own holdings—however small these may be—grows attached to them; loves them; and hates any social disturbance that might deprive him of them.

From the *moral* point of view, this mode of farming improves the principles and character of those who

pursue it, and gives them habits of order, perseverance, and foresight.

(*b*) **The Métayer System.**—(1) *Theory.*—This is a genuine partnership between the proprietor and the farmer. The owner furnishes the fixed capital; and sometimes, wholly or in part, the circulating capital as well. The farmer gives his services, and the remaining capital required. Each takes a proportional part of the *natural products*, which proportion is usually half.*

(2) There is much disagreement as to the *value* of the métayer system from the economic and social points of view.

(i.) The *adversaries* of this system (Garnier, Baudrillant, Leroy-Beaulieu, etc.) put forward several *disadvantages.*

(*a*) The tenant, on this plan, has but little liberty, little initiative, and little taste for improving methods of cultivation, as he has to give up half the products and to make his profit on the other half.

(*b*) The proprietor, on the other hand, if he does not want to be cheated, must be constantly on the watch, and must have an understanding with the farmer about all the details of cultivation and harvests, which must necessarily give rise to suspicion and disputes.

(*c*) Lastly, the *history* of labour-contracts, as they have been successively developed in various countries for several centuries—more or less fully according to economic conditions—proves that the métayer system is, generally speaking,† the system of *poor* countries (*see* Brants, *Histoire des Classes rurales;* M. Rérolle, *Le colonat partiaire*). The farmer has not sufficient capital, and hence the owner must supply either a part or the whole of it; again, the métayer cannot give a pecuniary guarantee, which compels the proprieter to demand a

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* Hence, this mode of farming is called in French *métayage* from Italian *meta* = half. It is also called *colonat partiaire.*

† There may, of course, be causes that contribute to keeping up the métayer system even in rich countries:—*e.g.*, custom, enlightened employers, honesty and confidence on both sides, etc.

share of the products. In England and Belgium, the métayer system was formerly much practised; but since these countries have become rich, it has almost entirely disappeared. In France, we witnessed a regular decrease of the system throughout the first half of the nineteenth century, because the country was in prosperous condition:—it was only after the *agricultural crisis* that occurred in the second half of the century, at the end of the second empire, that a movement arose in its favour. When bad times come, a land-owner is naturally very glad to substitute a métayer who will always give him half the products, for a tenant-farmer who can no longer pay his way; whilst the farmer, on the other hand, is glad to escape payment of a fixed pecuniary rent, when the value of the products threatens to diminish with ever-growing rapidity. In Italy, the métayer system is the commonest form of labour-contract in several provinces, the peasants being very poor.

Now, if métayage is specially the system of poorly-developed and unprosperous countries; if it is found to be generally abandoned as soon as the wealth of the peasantry increases, and resumed when some economic condition brings about poverty or trouble:—it follows that the system does not present the advantages that some would claim for it in the economic world.

(ii.) So argue the opponents of this mode of farm-management. It has, however, numerous partisans:—*e.g.*, M. M. de Garidel, Raffel, Rérolle, Hervé-Bazin, in France; Minghetti, Cossa, etc., in Italy.

(*a*) The métayer system, they say, from the *social* point of view, has the advantage of drawing the two classes of proprietors and simple farmers together. It absolutely requires, in fact, an understanding between the contracting parties concerning all details of tillage, share of product, and improvements of soil.

(*b*) From the *economic* point of view, its benefits are yet greater. The proprietor, having the right—not to a fixed remuneration—but to a share of the raw product,

is directly interested in the enrichment of the soil and the good cultivation of his land.

(*c*) If there is a loss at the end of the year, it is *less felt* by the métayer, since it is shared.

(*d*) As the land-owner, by his contract, remains head of the agricultural management, he can easily insist upon a mode of cultivation that takes account of new inventions, modern progress, or of new breeds of cattle, etc.; and thus he can hinder agriculture from becoming a mere daily routine.

(iii) **Conclusion.**—These are the chief arguments that can be raised for or against the métayer system.

It would appear that it is not *the system itself* that produces the ill results pointed out, but the passions of men who practise it. As in many economic questions, almost everything here depends upon the moral principles of the owner and the métayer. Uprightness, mutual confidence, enlightened management, respect for custom, a hearty understanding based upon Christian charity, might do away with the chief disadvantages named above, and secure the real advantages possessed by métayage. Why, indeed, should the métayer's liberty and initiative be fettered, if he knows that he can freely state his plans and wishes to the proprietor, with the certainty of finding help, advice, and direction? Why should there be any danger of disputes, arising from frequent intercourse between the contracting parties, if Christian charity presided over their relation to each other? Lastly, what does the argument drawn from history prove, except that the métayer tries to escape the proprietor's interference; that the latter always inclines to leave the risks to the agriculturalist, and to get a fixed income in the form of rent: and that both, in thus acting, are merely looking to personal interests, and obeying their own selfish instincts? Let these narrow views be replaced by the higher principles of religion and Christian charity, and the contracting parties will find their common interests served by united and brotherly effort. Under these conditions, both in

the south of France and in Italy, the métayer system has had the happiest results:—so much so that Sismondi was able to pronounce it one of the most valuable institutions handed down to us from the Middle Ages.

(c) **The tenant system.**—(1) *Theory.*—The tenant system is a contract by which a land-owner grants the working of his land to a cultivator, in return for an annual rent that is *stable, fixed,* or *firm.*

(2) *Disadvantages of the System.* — Here, again, economists differ as to the value of this kind of farming. Its disadvantages may be thus summed up:—

The proprietor, requiring nothing but the execution of the contract, has not the slightest interest in the mode of working his land, and spends neither money nor brains on improvement of the soil or the progress of agriculture.

The farmer, on his side, does not try to enrich ground which he will soon have to give up; he lets it get more and more exhausted as the time draws near for expiration of his lease.

Again, the farmer—though usually the poorer of the two contractors—has to guarantee the owner against unlucky chances, risks to be run, and inclement seasons: thus practically insuring the landlord.

3. **Conclusion.**—We may here repeat what was said of the métayer system:—that the tenant system is not in itself disadvantageous. It is capable of producing excellent results, providing the contracting parties agree well, and make mutual concessions. The following are some conditions under which permanent benefit to the soil may be reconciled with profit to the farmer who cultivates it:—

(i) The landlord must not be satisfied with letting his land and receiving the rent. He ought, besides—and this is often done in Belgium [and England]—to take a direct interest in his property, and to show it by taking upon himself the execution of certain fixed costly operations.

(ii) The farmer, on leaving, should be indemnified

for any un-exhausted improvements he has made in the soil. If the farmer can count upon compensation, he will not exhaust the land as the term of his lease approaches. It must be owned that the computation of such an indemnity is difficult, and apt to give rise to much dispute. In England, legislation interfered in 1875, '73, and '90, but without any appreciable result.* In Belgium, contests between farmer and landlord are frequent, except in certain parts of Flanders where an ancient custom—religiously observed—fixes the compensation to be given (*pachtersrecht*).

(iii) The Lease should be of sufficient duration. The farmer who sinks capital in the land, cannot recoup himself in two or three years; and if he foresees that he will not have time to repay his expenses, he will not improve the land.

In several countries, and notably in France, a lease does not as a rule extend beyond nine years, which is not usually long enough. In England, a common length for a lease is about twenty years.

(iv) Lastly, it is necessary for the land-owner to leave the farmer full liberty of action, for without this condition his power of initiative is fettered. The proprietor should merely keep the right of re-claiming his land in the case of persistent bad cultivation. In Belgium, clauses antagonistic to the farmer's liberty tend more and more to disappear.

Summary.—Of these three methods† of tenure, yeoman-tenure carries the day for good results, from the economic and social points of view, the others having advantages and disadvantages. These disadvantages are not so inherent in the systems themselves but that they can be avoided, at least in great part, by prudent measures. To plan such measures, and to study their

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[* The *Agricultural Holdings Act* of 1906, however, is more effective. *Trans.*]

† For details of some other modes of land-tenure, peculiar to certain continental countries, see Rambaud, *Elém. d'écon. pol.* p. 203; and Stuart-Mill, *Princ. Pol. Econ.* Bk. II., chs. ix. and x.

practical application, should be the care of all who are interested in the prosperity of agriculture:—the most important of industries.

2. Large- and Small-Scale Cultivation. Large and Small Properties

Large- and small-scale cultivation must not be confused with large and small properties. The former is to be understood of each unit of farming; the latter, of the total extent of land possessed by the same proprietor. In the production of riches, what are the functions of small or large-scale cultivation, and of small or large properties?

I. Large- and Small-Scale Cultivation.—The distinction between large and small farms ought to be based upon the employment of a more or less numerous staff, and of more or less excellent machinery. But the limitations thus obtained would be too vague, and hence it is generally sufficient to distinguish them by their *greater or less extent.* In France, the statistics of 1882 count as "large-scale" farms of about 100 acres or more; as intermediate farms, those between about 30 and 100 acres; whilst the farming of less than 30 acres is counted as small-, or even very small-scale cultivation.

(*a*) *Advantages.*—Small farming has many opponents. These assert that it is often unprovided with agricultural machinery and material, that it makes radical improvements difficult, if not impossible; that it is generally guided by the spirit of routine, and thus paralyses all agricultural progress.

Some of these reproaches may be justified; but, to make up for defects, small farming has numerous advantages. Its partisans—Stuart-Mill, Cliffe-Leslie, etc.—say that it yields a higher proportion of raw produce, because the small farmer knows better how to profit by the least portions of soil, and economises in numerous details. The small-farm system, again, (and it is not the least of its advantages) has created, and still keeps

up, the strong and healthy race of peasantry, most valuable to any nation. But what most strongly proves the importance of small farming is the fact that its position has been in nowise weakened,—on the contrary, has rather tended to greater consolidation—by having to face the great development of large-scale farming, through the immense increase of machinery and general farming appliances.

We cannot fail to be glad of this, and to do all we can to preserve—and even to enlarge—the place held by small farming in the agricultural industry.

Two means seem peculiarly adapted for bringing this about :—

The first is *co-operation*. This may do great service to small holdings, by making it easier to employ machinery, by spreading technical knowledge, furnishing markets for agricultural produce, encouraging purchases in common of seeds and chemical manures, and finding capital for the farmers by means of loans and insurances. We see these advantages actually realised now, especially in Belgium, where, for nearly twenty-five years past, co-operation has undergone an extraordinary development, thanks to the initiative of practical men, such as the Abbé Mellaerts, M. Helleputte, Canon Couturiaux, etc.; thanks also to the benevolent intervention of public authorities.* We shall refer again to *co-operation* in Chap. iii. of this second part.

The second means is *ring-fencing* (*Samenlezzing—Zusammenlezung*) as opposed to parcelling-out. This consists in uniting the various scattered portions belonging to the same owner. Parcelling-out has great disadvantages: it causes loss of time, raises the expense of cultivation, multiplies strips of land useless for production, makes draining and irrigation difficult, etc.

This cutting-up of the soil has more than once

[* In Ireland and in England also, thanks to the Agricultural Organisation Societies of both countries, agricultural co-operation has spread greatly of late years, with most excellent results. *Trans.*]

occupied the attention of Governments. Germany, for more than a century, has been taking energetic measures to encourage "ring-fencing." France, again, took up the subject in 1872 and 1875, and Austria in 1883. In Belgium, the measures taken in 1869 and 1887, to free the exchanges of rural properties, effected with a view to such consolidation of estates, from fiscal burdens, met with no appreciable result.

(*b*) **Conclusion.**—In spite of its great advantages, small farming is not everywhere applicable. Large cultivation is indisputably preferable for meadow-land and forests; and therefore it is natural that it should find more partizans in specially pastoral countries:—as, for instance, in England. There, 18 per cent. of the cultivated lands are large farms of over 110 acres; whilst in France those beyond 100 acres only reach 5 per cent. of the whole number.

II. Small and Large Properties.—Large Properties do not necessarily imply large-scale farming. An owner may divide his land into small portions and hand over the cultivation to separate farmers.

(*a*) There is a general agreement as to *the great social and economic importance of small properties.* The peasant-proprietor is firmly attached to the national soil, he is strong and independent, and at a time of danger is the best defender of his country.

As regards the economic aspect, nobody farms, proportionally, better than the owner of the soil. This assertion needs no proof:—multiply yeomen-farmers, and you greatly increase economic well-being. If small rural ownership is so advantageous, it should be defended against whatever conditions may tend to destroy it:—such as the excessive fiscal burdens which oppress the Italian labourer; or, again, the terrible division of estates, introduced by the succession-laws of the *Code Napoléon.* It ought to be strengthened and made more stable; and the fresh acquisition of small estates should be encouraged by government loans. Above all, the State should protect small properties from sale or seizure

during the owner's life, and from compulsory liquidation after his death.

Several countries have laws of this kind:—Russia, Roumania (law of 1864), America (Homestead Exemption laws, 1839), Hanover and Launenbourg (laws of 1873 and 1881), etc.

(*b*) *Large ownership, also, has its importance from the double point of view named: economic and social.*

(i) In the first place, it is certain—and observation fully confirms it—that small ownership is not an absolute condition of prosperity. A large property, combined with certain renting contracts, may be an element of material well-being to a whole neighbourhood. Moreover, when small owners have not a certain amount of farming capital at their disposal, it is useless for them to try to improve their situation; and in such cases, no one can give help so well as owners of *large properties.*

Then, again, the large proprietor is called upon to set an example, and give an impetus to agricultural progress in his neighbourhood. On the land that he keeps for his own cultivation he makes experiments in new processes:—in machines, manure, and seeds. If he succeeds, the surrounding peasantry—who will mostly be his own tenants—will follow his example.

Lastly, a large proprietor who properly understands his own economic position spends his income on the spot; he establishes himself permanently on his own land; and his receipts, directly or indirectly, help towards agricultural progress and the prosperity of the neighbouring country.

(ii) The *social* importance of the large proprietor is also considerable. He is the natural bond of union between the public authorities and the local peasantry. Through his instrumentality the central Government may get its orders obeyed, its reforms accepted, and the expediency of its measures made clear. By his intervention, again, the peasants are able to insist upon their rights, and to get their just complaints heard by the

competent authorities. The whole social movement of the neighbourhood gravitates round him.

To fill this position—at once honourable in itself, and highly advantageous to the *economical* and *social* orders—both duties and sacrifices are required of the great land-owner. It is because of not taking these into account that many "lords of the manor," holding large properties, possess none of the economic or social influence that they might claim.

To begin with, they ought to be *properly prepared* for the work incumbent upon them. They ought to be familiar with their neighbourhood and its special interests; to follow the progress of agricultural science; to keep abreast with discoveries; and to be properly qualified for fulfilling the office of local or parliamentary representative, with which they may perhaps one day be entrusted in the interest of their *protegés*.

Lastly, the landowner must be *moderate in the rent that he demands from his farmers*. His object must not be to enrich himself by his land. If he is found to be exacting, he loses the affection of his tenants and the influence to which his position gives him the right to aspire.

The large proprietor ought also *to be at the head of all undertakings* that concern the material, and even the moral, welfare of the neighbourhood. All the local organisations for benevolence, mutual help, instruction, etc., should find a patron and protector in him; and he should be in everything the supporter of the clergy.

With this object, then, it is necessary for great landowners to *live habitually* on their own estates. Without permanent residence, they cannot keep up the kind of intercourse with the peasantry that will help their influence, nor understand their needs and claims, nor gain nor keep their sympathy.

Sufficient preparation—moderation in demands—enlightened support—and permanent residence:—such are the obligations incumbent on large proprietors, if they would fulfil their social and economic mission.

When true to this, they become, with the help of the clergy, chief promoters of all the moral and material progress of their neighbourhoods:—and in fact play a providential part throughout whole countrysides.

ART. III

Extractive Industries

Cf. on this subject:—

Aquillon, LEGISLATION DES MINES FRANÇAISES ET ÉTRANGÈRES. Paris, Béranger, 1891.

Van Woensee, DE KOOLMIJNEN IN DE KEMPEN. Brecht Braechmans, 1903.

Pechaud, DE LA PROPRIÉTÉ DES MINES DANS SES RAPPORTS AVEC CELLE DE LA SURFACE ET DE LEUR USUFRUIT. Paris, Rousseau, 1899.

L. de Noel, RÉGLEMENTATION DES MINES ET CARRIÈRES À L'ÉTRANGER. (Trans.) Brussels, Polleunis et Ceuterick, 1896.

Laurent, PRINCIPES DE DROIT CIVIL, vol. iii., Mines. Paris, Mould, Doumerie, et Cie., 1903.

E. Penny, L'ASSURANCE OUVRIÈRE DANS LES MINES. Brussels, Ramlot, 1891.

I. **General Theory.**—(*a*) We understand by "extractive Industries" those that *extract substances useful to man directly from the soil.* There is an essential difference between extractive and agricultural industries, not only on account of their different objects, but because of the modes in which they have to be worked. Nature does not reproduce the elements taken from the mine; and hence the working owners need to recoup themselves extensively for their installation expenses, and the public authorities must carefully see to it that there is no waste of these mineral riches.

Further, extractive industries entail considerable outlay, and imply an enormous amount of capital; therefore the "small industry" can have no place amongst them.

(*b*) We may distinguish, with the French law of April 21st, 1810, which has also been passed for Belgium, three kinds of extractive work :—mines, ore-yielding ground, and quarries.

Mines are beds that contain—either in veins, layers, or masses—gold, silver, platinum, mercury, iron, copper, coal, fossilised wood, alum, sulphurs with a metallic basis, etc.

Ore-yielding grounds contain iron ores called *alluvium*, pyritic or aluminious earths, and peats.

Quarries include slate, sandstone, building-stone, marble, granite, phosphates, etc. They may be worked either in the open air or by means of subterranean galleries.

(*c*) Extractive industries form *one of the chief sources of wealth* in nearly all countries. Coal-mines are of chief importance in England, the United States, Germany, and especially Belgium. The working of all the coal-beds hitherto known, supplies 865 millions of tons annually; and, out of this number, Belgium provides 20 to 25 millions, whilst her annual consumption is only 2 millions. The mines discovered at Limbourg, and which will soon be in working order, will considerably increase the Belgian extractive industry.

Besides coal-mines, there are iron mines. England is specially favoured in respect of these. Her production of cast-iron, in 1887, amounted to 7,681,000 tons; of wrought iron to 1,729,000; and of steel to 3,094,000.

Veins of copper are particularly frequent in Spain, Chili, and the United States.

Gold and silver mines are inconsiderable in number; but, on account of their value, have a high economic interest in connection with the monetary-system, which will be studied in Part III of this book.

(*d*) *Quarries* are the undisputed *property* of whoever owns the land in which they are found. The ownership of mines, because of their exceptional economic importance, and of the special conditions of the wealth they contain, has been—and still is even in our day—

the object of hot disputes. Let us, therefore, briefly consider to whom, by natural right, the ownership of mines belongs.

II.—**Question of the ownership of mines.**—Before enumerating the various opinions on this subject, we must reason that the point in question is not so much the actual ownership of the mine, as the right of working it. The mine belongs to the man who works it, being a product of labour. The thing to find out is, who has the right of labouring to make any mine productive.

Again, one absolutely inadmissable opinion must here be set aside. The State—say the Socialists—has a genuine right to the possession of mines, as of all other means of production. This opinion has already been refuted (Part I, Ch. II, Art. II). The only question that can here be discussed is whether mines return to the State in virtue of its right of "eminent domain." (*altum dominium.*)

First System. (Ad. Smith, J. B. Say, Dunoyer, and some theologians, as de Lugo and Molina. It is acknowledged in English legislation).

Mines Belong to the Owner of the Soil.

Property, say these authors, extends by natural right to everything added to it by way of accession. Now, mines are a real accessory of the soil itself.

The Belgian civil law, moreover, seems to confirm this opinion, as it says (art. 552) that landed property extends to the soil *and to the sub-soil.* Further, in leaving it to the owners one may be sure that they will turn it to account if it will bring profit.

Second System. — (Turgot, Van Voensee. This is acknowledged in Prussian legislation, by the law of June 24, 1865, for mines that are not demesnial; in Spain, and the United States).

Mines belong to the finder.—Both natural and civil law sanction the principle that "treasure-trove" belongs to the finder, because it is *res nullius* :—nobody's property, and therefore the property of the first occupant. Now, the first occupant is the finder.

It must not be objected to this that the first occupant is the proprietor of the *soil*, and hence of the sub-soil, according to the first opinion. The sub-soil, in fact, belongs to the proprietor of the soil when it may be truly considered as its accessory;—that is, when it consists of an ordinary extension of the property, such as an artesian well, or a quarry. Now, mines cannot be placed in this category; they are not an accessory, but an entirely distinct possession, generally situated at a depth of hundreds of yards below the surface.

Moreover, the first opinion will not hold, because the division of land into small properties makes the working of a mine by the owners impossible.

Third System.—(Michel Bodeux Delebecque, and several theologians, like Lessius. This system obtains in Belgium, France, Turkey, and, since 1901, in Holland.)

The State is the owner of mines, in virtue of its right of eminent domain (altum dominium).

(*a*) Proof of the State's Right.—The State possesses *altum dominium* over all goods that concern the public interest; and mines are such goods. Therefore, whenever the welfare of society requires it the State may use this right. Now, the welfare of society does require the use of this right in the case of causing a mine to be worked; because (1) the finder and the proprietor of the surface cannot usually give the necessary guarantees for capital, credit, or qualifications for the profitable and continued excavation of a mine; and (2) it is impossible to determine positively the limits of the area within which the bed of mineral has been discovered.

This third opinion does not necessarily exclude the two first. One may, in fact, maintain that, previously to all intervention of the State, in virtue of its *altum dominium*, or to all transference of property justly effected by public authority, the owner of the soil and the discoverer of the mine have a genuine right of ownership over the newly-found wealth.

Thus interpreted, the third opinion appears to be

the right one. But a fresh question at once arises:—If the State, in virtue of its *altum dominium*, may determine or confer the ownership and working-rights of mines, how may it, and how should it exercise this right?

(*b*) THE EXERCISING OF THIS RIGHT.—The principles that ought to guide the State in this matter are, first of all, the general good of society; and then, when this has been secured, the particular rights of the finder and of the owner of the soil.

From these principles it follows:—

(i) That the State, strictly speaking, may reserve for itself the working of a newly-found mine:—*i.e.* it may appoint itself as the grantee; but only provided that this source of riches is really necessary to it for fulfilling its social office, and procuring the general good. We say *strictly speaking*, because it is difficult to see how, in actual practice, such a mode of proceeding could fail to be hurtful to society in general. If the State needs subsidies, it may usually keep for itself the monopoly of some less important industry, such as the manufacture of playing-cards, or matches, as is done in some countries.

The State may, with fuller justification, reserve a *portion* of newly-discovered mines for itself, since it has a right to both a public and a private domain.

The State may work mines that have been discovered on its own domain:—as, for instance, on the property owned by the Belgian State at the Camp of Beverloo, or in various provinces:—Antwerp, Brabant, Luxembourg, etc.

(ii) It follows also from these principles that, in choosing the grantee—other things being equal—preference should be given either to the finder, or to the owner of the soil. It seems difficult to decide, whether from reasons put forward on both sides, or by authority, who is the true proprietor of a mine: is it the finder? Is it the possessor of the land? Or is it even both together?

If, from lack of qualifications, credit, or capital, the real owner has to be set aside, he is entitled to an indemnity.

(iii) The State may grant the ownership and working-rights of a mine to others than the finder or land-owner, provided they can fulfil the necessary conditions for satisfactory working. It may, at the same time, take all the measures demanded by public interest concerning the excavation :—*e.g.*, it may levy a certain government tax on all profits made ; and it may forbid the partition of the mines amongst the heirs of the grantee, so as to maintain a sufficient area of land for the operations, and to compel the grantees to keep the business in working order.

ART. IV

The Industry of Transports

Cf. on this subject :—

Brants, LES GRANDES LIGNES. Book IV, Part II, ch. V.

Leygne, LES CHEMINS DE FER. NOTIONS GÉNÉRALES ÉCONOMIQUES. Paris, Béranges, 1892.

Dufour, LES EMPLOYÉS DES CHEMINS DE FER. ÉTUDE SOCIALE. Libraire du correspondant, 1891.

De Harne, MERVEILLES DE LA LOCOMOTION. Paris, 1874.

Colson, LES CHEMINS DE FER ET LE BUDGET. Paris, Hachette, 1896.

Nicolaï, LES CHEMINS DE FER DE L'ETAT EN BELGIQUE. Brussels, Callewaert, 1885.

Acworth, ELEMENTS OF RAILWAY ECONOMICS. London, Froude, 1905.

Edwards, RAILWAY NATIONALISATION. London, Methuen, 1908.

Pratt, RAILWAYS AND NATIONALISATION. London, King, 1909.

I. Theory

The Transport Industries include :—

(*a*) Land-ways.

(*b*) Water-ways—(also, some modes of communication of another kind).

i.e., (*c*) Posts, telegraphs, telephones.

(*a*) **Land-ways.**—These are divided into railed and non-railed roads; and these again into main and branch ways. The railed roads include those for both trains and trams. The non-railed ways consist of high roads and byways. The rail-road has existed since the eighteenth century in some mines in the north of England, only horses then took the place of locomotives. The latter, constructed by Stephenson in 1825, started the tremendous development of rail-roads that we now witness. The first train for travellers ran on the line from Liverpool to Manchester, on the 15th September, 1830. In Belgium, the first railway-grant dates from 1st March, 1834. At the present time, the Belgian railway-system, in proportion to those of other countries, is the largest.

At first, numerous discussions were raised as to the utility of trains. Many people held that they would injure inland navigation and wheeled transport; but time has dissipated such fears. It has been proved that roads and canals are indispensable auxiliaries to the railways themselves; that, without them, it would be impossible to get loads to the trains, or to keep up sufficient traffic for the profitable starting of railway lines. Still further, our means of carriage by non-railed ways, thanks to modern inventions, have received a quite unexpected development:—cycling, and motoring in all its forms, have been wonderfully extended to economic purposes within the last few years.

Indeed, railways offer such great advantages that we find it difficult, now, to understand how it can have met with so much opposition in the beginning. The speed, regularity, and continuity of the train-service are invaluable qualities for the transport of both people and goods.

(*b*) **Water-ways.**—These include both ocean and inland means of traffic, the latter consisting of rivers and canals.

Navigation in the earliest days was practised only by rowing. Later, they conceived the idea of making use

of the wind; and at the end of the middle ages, a Portuguese discovered the art of sailing against the wind. Then came the invention of the mariner's compass; and at the beginning of the last century, thanks to the discoveries of Jouffroy and Fulton, steam-power was utilised. It is since that date that navigation has reached its full development.

In 1891, the merchant-service of the whole world consisted of 33,876 sailing-vessels, gauging 10,540,000 tons, and 9,638 steam-vessels, gauging about 10,000,000 tons. On January 1st, 1907, the Antwerp flotilla alone comprised 84 ships—of which 2 were sailing-vessels—gauging 135,694 tons.

Inland navigation has not suffered much from the multiplication of railways; not more than non-railed roads have done, and for the same reasons. Water-ways transport merchandise of heavy weight and small value, which calls for cheap carriage and may be delayed without injury. Traffic that requires speed and regularity, and can afford expensive transport, is performed by the trains. The tariff of railways is necessarily higher than that of water-ways, because they have to add to the expenses of traction or removal—common to both modes of transport—the cost or rights of *toll*:—*i.e.* the interest of capital that has been sunk in their construction and up-keep.*

(*c*) **Posts—Telegraphs—Telephones.**—This is the third means of transport. It transmits, primarily, *correspondence*; and, secondarily, material objects of limited size and weight.

The transmission of letters through the post was formerly very costly. Even in 1827, the carriage of a letter from Paris to Marseilles came to 1 fr. 10 c. England took the initiative (1837) in a reform which reduced the tariff to a uniform price of 1d. for the whole country. In Belgium, from 1827, the price was 10 c. for all distances not beyond 30 kilometres; beyond

* Canals, no doubt, require keeping up; but this expense is met by taxation, and hence they pay only *indirect* toll.

that, they paid 20 c. In 1870, the postage was uniformly reduced to 10 c. for simple inland letters. Since the treaty of Berne, concluded in 1875 and extended in 1878, the almost universal postage on international correspondence is 25 c. for 15 *grammes* (not quite $\frac{1}{2}$ oz.) Between Holland and Belgium, the postage is lowered to 20 c., and tends to diminish yet further.

The telegraph and the telephone have developed the ease and rapidity of transmitting communications :—and consequently, industrial circulation—to an unheard-of degree. It is needless to dilate upon this point.*

International conventions have been made on the subject of postal and telegraphic relations.

The *International telegraphic Union* was founded in 1865, and completed in 1868, by the creation of a permanent bureau at Berne. The *Universal postal Union* was founded in 1874 and enlarged in '78. The Correspondence Bureau was erected at Berne in 1891. To these must be added an *International Convention*, concluded in 1890, for the *transport of merchandise*, whose bureau was established in the same town.

II. Economic Influence of Transport

Political Economy studies transport only from the point of view of its influence on the production of riches and the satisfaction of material needs. The prodigious development of the industry, in this respect, has had numerous effects, of which the following are the chief ones :—

(*a*) Ease of transport has *diminished cost;* and the lowering of transport expenses has brought about the lowering of prices for goods. Commodities, being thus cheapened, have come within the reach of more purchasers ; and this more abundant consumption has caused increase of production.

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* [Since 1908, Great Britain has established with certain countries a postal-rate of 1d. per ounce. *Trans.*]

(*b*) *Levelling of market-prices.*—Ease of transport prevents scarcity of provisions in the markets, and consequently hinders the raising of prices.

(*c*) Ease of transport *enlarges the market*, and increases competition : hence it prevents, or at least makes very difficult, monopolies and "corners."

(*d*) Ease of transport *influences the division of the population.* It encourages emigration ; but, on the other hand, it also favours the crowding into large towns. *Economically* speaking, this last effect cannot be counted as progress.

III. Various Systems of Working in the Transport Industries

The sudden development taken by this Industry has naturally brought up the question : *to whom ought the working of it to be entrusted, so that it may produce the greatest possible economic result?* This question has been warmly debated, especially as regards railways.

We have, *for railways*, four systems presented to us :—

(*a*) *A private Industry, with perpetual ownership.* England and the United States—freedom-loving countries —were the first to follow this system. But the inconveniences of unlimited competition forced their governments to exercise a certain amount of control over the railway Industry.

(*b*) *A temporary concession to private industry, under State control.*—State control, in this case, has for counterpoise—at least, very often—a financial subsidy. This plan has been adopted in France, where three-fourths of the railways belong to private companies. A tendency has sprung up of late to favour the principle of State-railways. The State intends to buy up the Western Lines. This second system is greatly upheld in Spain, Portugal, Switzerland and Greece.

(*c*) *State-Railways.*—Here the State both constructs and works them. This system obtains in British India, Norway, and Denmark. In Germany, Belgium,

Austria, and Russia, almost all the railways are in the hands of the State.

(*d*) *Construction by the State, and working by private companies.*—This is the favourite plan of Holland and Italy.*

The political character of various countries, their more or less free or centralising tendencies, and their financial condition, have greatly influenced them in choice of a working system. It is therefore difficult to decide which is the most generally advantageous plan. We may, however—from the experience of Belgium—note the advantages of State-railways :—

(1) *Unity of direction and working*, implying the most rigorous uniformity in the smallest details.

(2) *Regularity of train-service.*

(3) *Suppression, or at least abatement, of toll.*

(4) *Facility in encouraging a certain class of travellers : e.g.*, workmen, by diminishing their travelling expenses ; and also in *protecting a threatened industry*, by lowering or suppressing the transport-rates for its products.

[* Italy, however, has recently inaugurated State-management of her railways. *Trans.*]

CHAPTER III

Conditions of the Production of Wealth

We have examined in the two preceding chapters the causes of production:—*i.e.*, its *remote* causes, in *nature* (material Cause), *labour* (formal Cause), and *capital* (instrumental Cause); and its *immediate* Causes in the *various industries* which unite nature, labour and capital in order to produce wealth.

Does the function of the science of Political Economy end here? Does no other element enter into the production of wealth? The Liberal School thought not: "Leave"—so it said—"to Industry full liberty for developing itself and for creating competition, and you will have helped to realise the best economic conditions possible to conceive." We, however, have demonstrated above (Part I., Ch. I., Art. I.) the falseness of Economic Liberalism. We have further proved (Part I., Ch. II., Art. II.) that Socialism takes the wrong road in reserving the ownership of means of production, and the organisation of labour, for the State alone; and we have drawn the conclusion (Part I., Ch. II., Art. III.) that true economic science should leave to individual liberty its true function as the productive cause of riches; but that it should, at the same time, be careful not to set aside or limit the three indispensable conditions for all production of wealth and all economic progress.

This third chapter, therefore, will be devoted to showing clearly the share of influence that belongs, (1) to *Associations*, (2) to *the State*, and (3) to *the Church*.

ART. I

Association

Cf. on this subject :—

Leo XIII's, ENCYCLICALS :—RERUM NOVARUM—INSCRUTABILE—QUOD APOSTOLICI MUNERIS—ETSI NOS—HUMANUM GENUS,* etc.

V. Brants, GRANDES LIGNES. Bk. iii., ch. vii.; bk. v., heading ii.

G. C. Rutten, O.P., RAPPORTS SUR LES SYNDICATS CHRÉTIENS EN BELGIQUE, 1905-1906. Ghent, Imprimerie, HET VOLK.

Vermeersch, MANUEL SOCIAL. LÉGISLATION ET ŒUVRES EN BELGIQUE. 2nd ed., Louvain, Uystprüyst, 1904.

Preliminary Remarks. — *Association means the union of several people, concerting their individual forces in a lasting form, with a view to a common and definite good.*

(*a*) Association has *numerous advantages.* It increases the mass of collective forces, and it co-ordinates, combines, directs, and intensifies them, with a view to the result. It is a stimulus, and a cause of energy and emulation amongst its members. It is a school of initiative and joint responsibility, and gives to its associates a true consciousness of their social strength.

(*b*) Association is a *natural right.* Man, having a supreme end to attain, is prompted by nature to take the means best suited for realising his destiny. Association being one of these means—since, as we have just seen, it multiplies the forces, energy, and intelligence of individuals—has therefore natural right for its foundation.

The Catholic Church has always vindicated this right. The Pontifical Encyclical of May 15th 1891 renewed this vindication in an emphatic manner, and at the same

* [Translated and collected in *The Pope and the People*, London, Catholic Truth Society. *Trans.*]

time powerfully appealed to the movement in favour of association.

The fundamental Charter of Belgium gives to Belgians the right of association.

Lastly, this right is no longer seriously disputed. The domination of the liberal school has come to an end, and with it its errors on the subject of association.

(*c*) The very nature of the right of association marks *its limits*. Any form of union opposed to natural or divine law is unlawful. Any form of it that conflicts with higher interests—*e.g.*, with the common welfare of civil or ecclesiastical society—ought to be suspended or limited.

(*d*) The principle of Association *belongs to all orders of things*, and is a universal mode of action. Here, we have only to do with *economic association*. Now, in this department, three types may be noted: associations with a *lucrative*—with a *merely economic*—and with a *professional*, object, respectively. The last-named are also called "professional Unions."

I. Associations with a Lucrative Object

Cf. on this subject:—

V. X. Deruelle, TRAITÉ PRATIQUE DE LA LÉGISLATION APPLICABLE EN MATIÈRE COMMERCIALE. Brussels, Vandenbroeck, 1885.

Banneux, MANUEL PRATIQUE DES SOCIÉTÉS CO-OPÉRATIVES, Brussels, Polleunis et Ceuterick, 1899.

A. Pottier, LA CO-OPÉRATION ET LES SOCIÉTÉS OUVRIÈRES. Liège, Demarteau, 1889.

Léon d'Andrimont, LA CO-OPÉRATION OUVRIÈRE EN BELGIQUE. Liege, Decq, 1876.

G. Malherbe, LES MAGASINS AGRICOLES CO-OPÈRATIFS ET SYNDICAUX. Brussels, Schepens, 1903.

J. Trigaut, LES SYNDICATS AGRICOLES DE VENTE. Brussels, Schepens, 1900.

Max Turmann, LES ASSOCIATIONS AGRICOLES EN BELGIQUE. Paris, Lecoffre, 1903.

Canon Schmets, RAPPORTS AU CONGRÈS DE LIÈGE, 1902.
Crueger Hans, L'ÈTAT ACTUEL DE LA CO-OPÉRATION EN ALLEMAGNE. REVUE ECONOM. INTERNAT. 1907, No. 2.

I. Theory and Divisions.—In Belgium, associations with a lucrative object have been defined and regulated by certain Codes. (Civil Code, 1832-73: Commercial Code, 1873, modified by another in '86.) These Codes allow the name of SOCIETIES only to associations with a lucrative, pecuniary object; all other associations, for beneficence, amusement, mutual help, or religion, are classed under the heading "Anonymous Agreements."

(*a*) Societies are *Civil* or *Commercial*. These are distinguished, to begin with, by their *object*. The object of commercial societies consists in acts of commerce frequently repeated.* A civil society is not a formal contract, and in order to be valid need not be subject to special conditions of form.

A *commercial* society forms a *judicial entity*:—a "moral person," as distinct from its individual members. This is not the case with a *civil* society.

Lastly, a commercial society alone takes out a license.

(*b*) A *commercial society* may, according to Belgian law, take five separate forms.

(i) The *Partnership of unlimited liability*. Here several people unite their efforts, and answer jointly and indefinitely for all engagements made in the name of the Society. At first sight, this kind of association appears the best; and it does, indeed, possess a great advantage, in offering valuable guarantees for security. But, to carry it out properly, there must be a high degree of reciprocal confidence amongst the members, which is rarely found.

(ii) The *simple joint-stock company* is that in which one or more responsible members, who have joint, several

* It is difficult, in practice, to decide what acts should be counted as commercial. Scientific Classification fails here; and we must be guided by the interpretation of tribunals and legal writers.

and unlimited liability, and are called acting partners; and one or more members who are simply money-lenders, who limit their own responsibility, and are called Sleeping Partners, enter into a contract.

(iii) The *joint-stock company with shares* differs from the preceding, in that the capital of the sleeping partners is divided into shares.

The joint-stock company, whether single or in shares, has the advantage over the first form of making it easy to put capital together. It gives a capable, honest, and energetic man the means of equipping, and carrying out, great undertakings.

(iv) *The joint-stock company of limited liability.*—This is simply a union of increments of capital. Its distinctive *mark* is the limited liability of its members—(each one's liability extending no further than his own share)—and the absence of any personal business name attached to the society for society reasons. It takes a fancy name, such as—*e.g.*—"the Fireside."

In this, the *capital* is divided into *shares*. Often these limited liability companies also issue debentures. The shares and debentures are easily transferred.

The *members* are divided into founders, simple shareholders, and debenture-holders.

The *management* is in the hands of administrators appointed by the annual general assembly of shareholders: their administration is controlled by commissioners appointed in the same way.

The limited liability company is now in favour. It allows facilities for the bringing-together of enormous capitals. The limited liability, and the ease with which members can release themselves by selling out, attract the public. Their impersonal character, too, is advantageous in the case of some great undertakings, such as the working of a railway or a mine.

Nevertheless, the disadvantages of the limited liability company outweigh its advantages. Negligence and dishonesty in the administration are not rare, because nobody is directly pledged; and hence occur colossal

failures. Also, the promotion of limited liability companies makes swindling on a large scale easy. Some clever rascals start a business, advertise it loudly, offer shares to the public at an apparently advantageous rate, and profit by the credulity of the simple to sell their own shares at the price asked. A few days later, it turns out that the undertaking in question is fictitious, and that the shares are worth nothing.

Still, the form of the limited liability company is not bad *in itself*; only where it is concerned Governments must take controlling measures. If the members limit their own responsibility, it is only fair that their liberty should be limited.

The Belgian Commercial Code gives in full detail the guarantees, preventive of abuses, that are fixed by law. Some new provisions appeared in the *Moniteur* at the beginning of 1907.

(v) The *co-operative society* is one composed of members whose number, and amounts of capital, vary, and whose shares are not transferable. The aim of these societies is, first, *to establish a personal tie* between the members, and hence the law chooses that the shares should be non-transferable. In the next place, such societies are formed *to encourage people of small property*, whose means vary with their savings: hence it is necessary that the capital contributed by members should be allowed to vary. Lastly, as these societies are intended to form *many people* into a group—whereas the limited liability company aims at uniting many portions of capital—it is necessary for the number of members to vary also.

Co-operative societies are of *three classes*:

(*a*) *Associations for production*, formed amongst working men, to increase and insure success in their work.

(*b*) *Loan associations*, for supplying members with sufficient capital.

(*c*) *Associations for consumption*, with the object of furnishing their members with merchandise for daily use at low prices.

II. **Application.**—The general idea given above of the first four kinds of "associations with a lucrative object" make it unnecessary for us to examine in detail their application to various industries. Moreover, such a study is beyond the sphere of political economy.

Co-operation, however, on account of the high favour in which it is held nowadays, requires some supplementary details. In this Second Part we shall take only Co-operative Associations *for production;* treating *loan*-Associations, in the Third Part; and those for *consumption* in the Fifth.

The Co-operative society is not necessarily a working-class institution for encouraging the weak, and those of humble means; but, in practice, it is generally so.* It is in this sense that it has been defined as *a popular association which organises in common an enterprise of a lucrative nature, with the object of sharing amongst its*

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* The Co-operative Society is, in fact, more or less perfectly represented by *Trusts* and *Cartels.*

Cartels are especially numerous in Germany and Austria.

Trusts chiefly prosper in America. These two forms of Co-operation amongst owners must not be confounded.

A *Cartel* is in fact nothing but a *commercial* combination amongst several tradesmen or groups of tradesmen. These retain the ownership and direction of their respective factories, and their full liberty of action in the industrial field. They give up only the *commercial* direction of their business.

A *Trust,* on the contrary, absorbs the societies affiliated to it. The owners who form a trust give up the direction and proprietorship of their respective factories. The trust, therefore, is both a commercial and an industrial combination.

Cartels and *Trusts* offer numerous economic advantages to their members. They reduce the expenses of advertising, pushing, and transport; and they make it easy to create monopolies, and to regulate and dominate the market. They frequently, however, degenerate into coalitions of capitalists for buying up goods, and despoiling consumers.

See Martin St Léon *Cartels et Trusts,* 1903; also *Revue Soc. Catholique;* 1903-4, p. 153: *Trusts et Syndicats Industriels.*

[*Cf.* also Ely, *Monopolies and Trusts,* London, Macmillan, 1900; Tarbell, *History of the Standard Oil Company,* London, Heineman, 1905; Macrosty, *The Trust Movement in British Industries,* London, Longmans, 1907. *Trans.*]

members the benefit arising from the suppression of the middle-man. (Vermeersch, *Man. Soc.* 2nd. ed., p. 157.)

The form taken by co-operative societies for production may be perfect or imperfect.

(*a*) **Perfect Form.**—(1) THEORY.—Co-operation takes its complete form when the undertaking belongs entirely to the workmen, and absorbs all the professional activity of the members.

The definite aim of this form of Co-operation is to abolish the wage-earning class, properly so called; and to suppress competition between employers and wage-earners, debtors and creditors, by the presumably equal collaboration of all towards the same result. This ideal has given rise in France to a *School, called* the *Co-operative*, of which M. Ch. Gide is the chief representative.

(2) DIFFICULTIES.—This Perfect form of Co-operation is complicated and difficult to realise. In fact, all Co-operation, to be successful, presupposes *an intelligent and respected director.* Now, the members of the form in question are generally workmen, but little able to appreciate the intellectual labour that is essential to all management, and little inclined to submit to a directing authority, as they wish to emancipate themselves from discipline, by eliminating the "employer" element.

Then, every undertaking requires capital, and this the working men are unable to furnish. And, again, the hazardous character of such a business, and some unlucky experiences, make the public distrustful, so that the men cannot usually manage to get capital supplied to them.

Lastly, *success* in itself brings a fresh danger to this form of co-operative society:—that, namely, of becoming a mere group of capitalists. The first members, who formed the society and went through the early difficulties, are often tempted not to allow the new members to benefit by the fruit of their past efforts, but to admit them only as non-co-operative auxiliaries.

(3) CONSEQUENCES:—These difficulties are consider-

able, and it is not surprising that the application of the principle of "perfect co-operation" has had but few results.

Still, encouragement has not been altogether wanting to these co-operatives. In *France*, orders for State-supplies are given to them; and it was with the object of furnishing them with needful advice and credit that the Consultative Chamber and the Co-operative Bank were founded. In *England*, such associations are firmly upheld by societies formed expressly for procuring them resources and custom. Still, they prosper but slowly; the country has not forgotten the end of the first co-operative factories, founded in 1844 under the name of "Rochdale Pioneers," which—when the first difficulties had been removed—turned into societies of capitalists.

In *Belgium*, the success of these co-operative societies has likewise not been such as to give much encouragement: their number, in spite of numerous attempts, is but small. These are some of them:—The *Typographic Alliance*, founded at Brussels in 1849; a *co-operative workroom amongst needlewomen*, established at Ghent in 1902; a *Christian Co-operation* for working the Quarry of Jeneret, which was put at the workmen's disposal by the initiative of the minister, M. de Favereau; *De Vereenigde Werkers*, a socialist co-operative society for weaving, founded at Ghent in 1903, by Anseele; the *Co-operative Catholic Press* of Aulon, publishing the *Avenir*, the *Union*, and the *Abeille;* at Liège, the paper called *Syndicat Agricole* is also published by a co-operative association.

The *success of some co-operative societies* of this kind is due to exceptionally favourable conditions of foundation:—such as the close union of certain energetic workmen—the ascendancy of some man superior to others—or the ensuring of custom in advance:—*e.g.*, by an association for consumption.

We may therefore, it would appear, *conclude* that "perfect co-operation" cannot be safely considered as a

generally practical means of social reorganisation. At the very utmost, we may look for *partial* good results where very favourable conditions of establishment, management, and custom are realised.

(*b*) **Imperfect Form.**—When *the co-operative society does not absorb the whole professional activity of the members, but only a part of it,—e.g.* the sale of products, the purchase of raw material, etc.—*its form is called "imperfect."* This form has numerous examples in Belgium. They may be classed in three categories.

(i) Associations for Purchase, which are sub-divided into *urban* and *rural co-operative societies.*

Urban co-operative societies are relatively few in number, and not very prosperous. Small tradespeople, such as bakers, shoemakers and tailors, and artisans such as carpenters or blacksmiths, find much advantage in co-operating; but they are often divided amongst themselves by rivalries and trade-jealousies. We may name as "Urban Syndicates":—the co-operative societies in Brussels of *Dealers in haberdashery, hosiery, and "stuff-lengths," of Butchers and Pork-Butchers;* at Ghent, the *Brewers, Cabinet-makers, Lemonade and Mineral-water sellers, Upholsterers and Butchers;* at Antwerp, the *Plumbers and Zinc-workers;* at Iseghem, the *Grocers;* and at Liège, the *Petit outillage* ("the Little Tool-shop").

The *rural co-operative societies* for purchase are much more important. Their advantages are highly appreciated, and with good reason. Their purchases are made at exceptionally favourable prices; while the quality is excellent, and guaranteed; and the expenses of loading and transport, on account of the quantity, are considerably reduced. Further, thanks to these societies, to the meetings and exchange of views that they bring about, and to the relations with men better informed on agricultural affairs that they encourage, the peasants have their own ideas enlarged, and lose their spirit of routine and their antipathy to agricultural innovations.

(ii) Associations for Sale have for their general

object the grouping of small producers and of retail dealers, so as to keep up competition with the larger shops, to open new fields for trade, and to suppress middlemen; in short, to form more favourable markets. Here, again, we may distinguish *urban* and *rural* associations.

The *first* have hardly any appreciable result. There are only a few, such as the co-operative society at Ixelles called *le Timbre*, of united tradesmen, founded in 1901; *de Vrije Neringdoeners* of Antwerp; the *Syndicate of Retail Dealers* at Liège and Etterbeek.

The *rural* sale-associations are also but little developed in Belgium. We may name, for the sale of butter, the *minque* formed, in Brussels, by the limited liability company called the *Union laitière Belge* (Belgian Dairy Union); the *minque* formed at Hasselt by the initiative of the Curé, M. Germanès; and an association founded at Rosière for the sale of eggs.*

(iii) Co-operative Dairies, the chief object of which is the making of butter in common, according to the new methods. They began to spread in Belgium towards the year 1895.

There are three kinds of these establishments in Belgium:—

(*a*) The *Central Hand-Dairy*, much in vogue in Luxembourg; this is adapted for small associations.

(*b*) The *Central Steam-Dairy*, for large associations. The most prosperous of these get daily as much as 4,400 gallons of milk.

(*c*) The *Local Dairy*, which consists of a central factory where the churning is done, and of local sections for separating the cream. This system is preferred in Luxembourg.

Co-operative Dairies have great advantages. They

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* [It must be remembered that this unfavourable judgment hardly applies to England. Co-operative sale societies exist in considerable numbers and with no small success in this country. *Cf.* the annual "Co-operative Wholesale Societies' Report." *Trans.*]

supply purer commodities with less trouble and expense, and ensure new markets.

II. Associations with a purely Economic Object (Benefit Societies)

Cf. on this subject :—

Soenens, LA MUTUALITÉ EN BELGIQUE. Brussels, Larcier, 1901.

LE MUTUELLISTE, (Organ of the National Federation of mutual-help Societies, etc.). Brussels, Wormhut.

R. du Sart de Bouland, LES SOCIÉTÉS DE SECOURS MUTUELS EN BELGIQUE DEPUIS, 1830. Brussels, Schepens, 1890.

C. Van Overbergh, LA MUTUALITÉ EN BELGIQUE. ("Revue Soc. Cathol." 1901-02, p. 53.)

Em-van Hees, LA MUTUALITÉ EN BELGIQUE. D'APRÈS LES FAITS RÈCENTS, (Revue Soc. Cath. 1903-04, p. 52.)

G. Malherbe, LES SOCIÉTÉS RURALES DE SECOURS MUTUELS. Brussels, Schepens, 1905.

G. Malherbe, LES MUTUALITÉS FAMILIALES. Brussels, Schepens, 1907.

QUELQUES DOCUMENTS RELATIFS AUX MUTUALITÉS FAMILIALES. (Monthly Report of Social Works in the Diocese of Tournai, pp. 239-244, 1907).

I. **Theory.** *The Benefit Society is an anonymous agreement of friendly character, which joins people together with the object of procuring, by their common pledges and reciprocal action, certain economically obvious advantages, especially those of Insurance.* (Vermeersch, l.c. p. 644.)

The Benefit Society, therefore, is distinct from co-operation. In the former, the action begins and ends with the members, and *takes place entirely within the Society* ; whereas, in co-operation, the united effort does not end with the members, for the sale is effected with outsiders.

From this first difference flows a second :—the Benefit Society *excludes a lucrative object.*

Speaking in the abstract, the distinction between the two is quite clear. Nevertheless, it is sometimes difficult in practice to determine the type to which such or such an association belongs. Benefit Societies, in fact, do not always decline every kind of commercial transaction. Moreover, the limits of co-operation, clearly defined in Belgium, on account of the law of 1873 which created this form of association, are not so definitely fixed in other countries, such as Germany and France. In the latter country, for instance, the law goes so far as to deny any commercial character to co-operations for consumption. The cause of these differences is that legislation on the subject has been brought about gradually, as the need for it has been felt, and not with any complete design.

II. **Advantages.** The Benefit Society is a great help to private individuals, especially to the poor. It has been estimated, by some, that it relieves them of 70 per cent. of the various causes for want. (Soenens, *La mutualité en Belg.* n. 33-34.)

The Benefit Society is also an educative power for its members, as we have already remarked in discussing "Association" in general.

The Benefit Society creates a tie of good-will and charity amongst the members; also, it makes the practice of benevolence easier for the well-to-do classes, by depriving it of the nature of alms-giving and so making it less humiliating to some of the needy.

The Christian spirit, however, must enter fully into such associations: without it, they easily degenerate into anti-social instruments. The confessions of Socialists (Destrée and Vandervelde: *Le socialisme en Belgique*, ch. 2), are instructive on this point.

III. **Divisions.**—Benefit Societies are divided according to their object. This object greatly varies: it may be saving, loans, amusement, purchase of dwellings, etc. By preference, the Benefit Society deals with organised aid to the working-classes, and amongst these especially with *Insurance*. Now, insurance being of

double kind, *two kinds of Insurance societies* are formed : one dealing with *personal insurance* and one with *property insurance*.

Personal Insurance takes several forms, according to its special objects. One of these may be to furnish its members, by means of periodical payments into the general fund, with temporary help in cases of uncertain, but often overwhelming, occurrences :—*e.g.*, a bad illness. Another aim may be the affiliation of members to Savings' Banks ; or, again, to Life-Insurance Societies.

Property Insurance includes Insurance of farm animals (horses, cattle, pigs, etc.) ; and insuranceagainst hail and fire.

We need not dwell, here, upon the practical results obtainable from Benefit Societies, as institutions for insurance form the subject of a special study in Part IV of this Manual.

III. Professional Unions

Cf. on this subject :

G. C. Rutten, O.P., RAPPORT SUR LES SYNDICATS CHRÉTIENS EN BELGIQUE. 1905-06 ; — also. POURQUOI NOUS VOULOUS DES SYNDICATS CHRÉTIENS. 2nd Edition. Ghent, printing-office, *Het Volk*.

A. Venhaegen DE VAKVEREENIGING ; and (French version), L'UNION PROFESSIONELLE. Ghent, *Het Volk*.

Jos. Arendt, LA MISSION SOCIALE DES SYNDICATS CHRÉTIENS. Ghent, *Het Volk*, 1907 ;—also (same writer and publishers) CATÉCHISME DE L'OUVRIER SYNDIQUÉ. 2nd Edition ; and (in Flemish) CATECHISMUS VAN DEN VEREENIGDEN WERKMAN. All 1907.

Th. Théate, LES UNIONS PROFESSIONELLES. 4th Edition. Louvain, Van Linthout, 1907.

Vossen (Abbé), LE MOUVEMENT SYNDICAL—CONSIDERATIONS THÉORIQUES ET PRATIQUES. Brussels. 1907.

Chancellor Douterlungue, DE LE FONDATION D'UNIONS

PROFESSIONELLES. Report of the "Œuvres Sociales" of Tournai, 1899.

L. Varlez, LES SYNDICATS OUVRIERS EN BELGIQUE. "Paix Social," No. 1., 1907; and Monthly Report of "Œuvres Sociales" of the Diocese of Tournai for 1907.

J. Destrée and Em. Vandervelde, LE SOCIALISME EN BELGIQUE.

G. Malberbe. Several pamphlets on this subject, sold by Schepens, Brussels.

The Abbé Scaloin, CAPITAL ET TRAVAIL. Liège, Institut St Jean Berchmans, 1902.

Preliminary Remarks.—(*a*) *Professional Unions are those formed amongst people following the same trade or profession, with the object of defending and promoting their common interests.*

(*b*) The *utility* of these unions is universally admitted.

(1) *From the economic point of view* they facilitate the development of professional instruction amongst their members, help them to follow their trades under the best conditions, succour them in need, give them advice in doubtful cases, and obtain advantageous contracts for them.

(2) *From the social point of view*, these unions promote peace, by furnishing a means of making reasonable claims and getting them examined without prejudice. Further, they are a source of strength, combining workers of good character against seditious ringleaders, and promoters of strikes.

(3) *From the moral point of view.*—They inculcate principles of hard work, honesty, and reciprocal help amongst members; and provide them, at need, with respectable amusements at clubs.

(*c*) Unions are *divided* in different ways.

(i) According to their *object*, they are distinguished as *agricultural*, *industrial*, *commercial*, and *unions of the liberal professions.*

(ii) According to the *class* that their members belong to, they are *masters'*, *workmen's*, or *mixed* unions.

(iii) According to their *spirit*, they are *Christian*, *Socialist*, *political*, *neutral*, etc.

(iv) According to their *form*, they are classed as simple *unions*, or as *federations* :—*i.e.*, groups of unions.

We will here summarise our study of Professional Unions, in their relation to Political Economy, under three heads :

I. *Industrial associations.*

II. *Agricultural associations.*

III. *Federations of both kinds.*

I. **Industrial associations.**—(*a*) Masters' Associations.—These are formed to prevent the lowering of prices, depreciation of goods, and strikes. Thus the *lock-out* of the master corresponds to the strike of the workman.

They are also sometimes formed with a nobler view :—for the protection of workmen's rights. Needless to say, this generous initiative is effectual only if based on religion.

There are but few masters' associations in Belgium :—a few of tailors, shoe-makers, etc. ; a *union of master-painters, plumbers, and zinc-workers* at Antwerp :—and a few others at Mechlin, Ghent, and Brussels.

(*b*) Workmen's Trade-Unions.—1. The establishment of trade-unions for workmen meets with serious *difficulties*. The workmen themselves, when improvident, careless, or selfish, are often opposed to their formation. Above all, the masters, in large numbers, are irreconcilably opposed to workmen's trade-unions. They fear the strength of such a union, if it should set itself against them ; and they like to be authoritative in deciding their men's workshop rules, wages, hours of work, and so on.

2. The *utility* of these trade-unions is nevertheless quite appreciable. Their object is to decide upon just conditions as to wages and hours of work ; to obtain moral and religious guarantees ; to insist upon attention

to just claims; and to make the formation of Benefit Societies against illness, unemployment, and old age, easier. Trade-unions, in short, provided they are based on religion, have claims to the confidence of the masters themselves.

3. It is therefore urgent to *overcome the resistance* of the employers, as well as the opposition of certain groups of workmen; otherwise, Socialism will make more and more progress. To remove these difficulties we must turn to the masters, and must show them by examples, events,* and the present position of the economic world, how sterile and disastrous is the effect of their opposition. We must also deal with the workmen, and offer them an immediate, concrete, tangible advantage as attaching to a trade-union; and, with this object, it may be as well to suggest the addition of a Benefit, or Co-operative, society to the union.

The Socialists set us an example in this respect. (*See* Destrée and Vandervelde, *Le Socialisme en Belgique.*)

4. It is not enough to do away with exterior obstacles. For a trade-union to succeed, *several conditions of internal organisation must be realised.*

Religion must be the foundation of such unions. Neutral unions † ought not to be encouraged by Catholics.

* Witness the recent strike at Roulet, and the profit made out of it by the Socialists. The erection of Christian trade-unions—obstinately thwarted by the masters—would have saved all the trouble. For other examples, *see* the *Manuel Social*, by Vermeersch, p. 797

† We say *neutral*, not *free*, trade-unions. The Liège Democrats, who were partizans of the *free* trade-unions during the late lock-out at Verviers, say that according to their meaning "the free trade-union is not an immoral one like the neutral"; and that "the free trade-union is based on natural morality, whose precepts in economic matters have been simply confirmed by Christian revelation." Further, the free trade-unions of Liège have inscribed on their statutes that it is obligatory on the members to respect *religion*, the family, and private property. It would appear, then, that the *free* trade-union, as understood by the Liège Democrats, cannot be confounded with the neutral; and that it even comes appreciably near the Christian trade-union.

They regularly favour Socialism, and do not bear the fruit that is rightly expected from trade-unions. Nothing is more instructive on this point than a recent "lock-out" at Verviers. (Cf. *Revue Sociale Cath.*, 1906-07, p. 33.)

Then, the choice of the *first* members must be prudent. A few influential and determined men are enough to set a union going, and to impart a vigorous, active, and lasting spirit to it.

The trade-union, in its constitution and working, must come forward as *the working man's own creation*. This need not exclude the exercise of a certain amount of influence by lay-men of a higher class, and especially by the priest, always provided that their action is of a discreet, peace-making, and entirely persuasive character.

(*c*) Mixed Industrial Associations.—These are the most perfect, and would contribute more than any other kind of association to solve the social question. But, if the most useful, they are also the most difficult to carry out. In large industries especially, the opposition between employers' and workmen's interests is too pronounced for any lasting union to be expected. In small industries, the social conditions are less widely separated, but the interests under debate still remain opposed. There is, in fact, but one practical means of bringing about a lasting understanding between employers and employed:—*i.e.*, the "Board of Conciliation," at which representatives of both men and masters meet, and unite in discussing their respective interests.

The *modern guilds*, established in several Belgian towns, are among the few attempts that have been made at starting the "mixed associations."

II. **Agricultural associations.**—These associations have an *immediate* aim:—the prosperity of agriculture. With this object, they take part in various works for promoting rural interests:—*e.g.*, the forming of co-operative bodies for sale and purchase, of benefit societies, of personal and property Insurance societies, of reading circles, etc.; or, again, the establishing of public

experimental fields, etc. These associations are almost all imbued with the Christian spirit; hence they generally, in a *mediate* and *secondary* way, pursue a *moral* and *religious* aim. The parish priest figures by right as a member of the Council, at least in the Belgian *Boerengilden* established by M. Mellaerts.

Elsewhere, especially in the province of Liège, a great many of these Belgian associations belong to the corporation of "Notre Dame des Champs," whilst in other parts of the country, on the contrary, the clergy prefer not to take part in them *officially*, the religious character of the associations being sufficiently established. This is notably the case in Eastern Flanders and Hainault.

The extension of agricultural associations in Belgium has been enormous within the last few years, especially since 1897. At the present time they constitute a formidable opposing force to Socialism, as the Socialist leaders have often confessed.* (*See* Destreé and Vandervelde, *Le Socialisme en Belgique*, i. ch. ii., § 5, 2nd ed.)

III. **Federations.**†—Federations *unite* the associations

[* In the British Islands similar, but not explicitly religious, associations are now spreading throughout the rural districts owing to the work of the English and Irish Agricultural Organisation Societies. *Trans.*]

† To the idea of Federation is attached that of the *Club*. The organisation takes this name if it is centred in one locality. If the association is intended to promote the interests of the smaller class of agriculturists or artisans, it is called the *workman's club*. It forms a centre of union, recreation, and social action.

For a club of this sort to prosper, several conditions are required:—a certain community of Christian feeling; a discreet share taken in it by the clergy; generous help—even of a pecuniary kind—from the well-to-do class; a large share of the direction of the club left to the working men; and, lastly, numerous and varied attractions. Such an organisation, on account of difficulties, should not be undertaken except where really necessary, or where it offers great advantages:—*e.g.*, where the formation of a liberal or socialist club is to be feared.

We have, amongst Catholics, numerous clubs with various organisations annexed to them. (*See*, on this subject, C. Dupont. *Fondation et établissement de cercles.—Bulletin de Tournai*. 1899, Articles on Clubs—Vermeersch, *Manuel Soc.*, 2nd ed., p. 771).

into groups, under a uniform *direction*, make them *conscious of their strength*, and *powerfully support* their claims with the Government.

(*a*) **Industrial Federations.**—1. BELGIAN CHRISTIAN FEDERATIONS.—The *Christian Labour Federations* may be classed in three groups:—

(i) The *first group* comprises the *National Federations of various works*, amongst which we must mention here the *Belgian democratic League*, which is very prosperous, and has risen from 300 affiliated societies with 90,000 members in 1900, to 1611 societies with 200,000 members in 1907. This League includes democratic associations or their local federations composed of either employers or employed, or of both together. Its object is not only the material improvement of the labour class, but also its moral restoration, and the settling of the contest between capital and labour.

(ii) A *second group* embraces the *Local Federations of various labour undertakings*, and is of two types, the *first* being represented by the "Anti-Socialist League" at Ghent, founded in 1891 by A. Verhægen and Eylenbosch. This very flourishing League copes with the Ghent Socialist federation, and has *Het Volk* for its organ.

The second type appears in the *Vrede;* and in the *guilds*, the first of which was established at Louvain in 1878, thanks to *M. Helleputte*, and which three or four years ago numbered about 10 patrons, 43 honorary members, 130 master members, and 800 working men.

At *Courtrai*, *St. Nicholas*, *Liège*, *Bruges*, *Antwerp*, etc., similar flourishing guilds exist. The guild at *St. Nicholas* includes Benefit Societies, Insurance and re-Insurance Societies, trade-unions, and various institutions for use or pleasure. During the one year of 1906, twenty-five new Benefit Societies were affiliated to it, which has brought the number of members up to 26,683. In Antwerp, the guilds chiefly go by the name of *Vrede*, and include over 4,000 men.

(iii) The *third* group is formed of *trade-union*

federations, which are rapidly multiplying, thanks to the vigorous impulse given to them by the General Secretarial Office of Christian Professional Unions.

2. Belgian Non-Christian Federations.—(i) *Neutral Federations*, of which the principal "Labour" one is the "Typographic Federation," including from fifteen to twenty local trade-unions. Amongst federations of *bourgeois* may be named the "Central Association of Belgian Master-bakers" founded in 1902; and the "General Syndicate of Master-plumbers of Belgium" which has existed since 1897.

(ii) *Belgian Socialist Federations.*—The *Vorhuit* of Ghent is considered by the Socialists as the ideal Socialist Federation. (Destrée and Vandervelde, *Le Soc. en Belg*: 2nd Ed. I, ch. ii.) Around a co-operative society for consumption are grouped societies for mutual help, trade-union offices, and political clubs. On this model, in 1903, twenty-six local federations were established.

The *Belgian Liberal Federations* are not of sufficient importance for description.

b **Agricultural Federations.**—1. We must first name the *Belgian Boeren-bond*, instituted in 1890, by the initiative of the Abbé Mellaerts, M. Helleputte and M. Schollaert.

This has a *triple mission*:—defence of the religious, moral, and material interests of the peasants; improvement of agrarian legislation; and co-operative organisation of agriculture. It has *affiliated guilds* (*boerengilden*) in all the provinces except Hainault; and in 1905 the number of its members (heads of families) amounted to 31,586:—an increase of 8,000 members from the preceding year.

2. The *Agricultural Federation of Western Flanders* (*Landbouwersbond*), founded in 1891, and grouping around itself almost all the agricultural organisations of the province; and

(3) the *Agricultural Federation of the Province of Liège*, which—with the exception of a few Socialist

organisations—takes in all the agricultural unions of the province.

Other leagues and federations of similar kind exist in Hainault, Luxembourg, West Flanders, Namur, etc.

Co-operative and friendly societies are the proper work of agricultural federations and leagues. Nevertheless, they do not as a rule confine themselves to these two objects. The leagues, with their central committees, have instituted numerous lecture-courses concerning the judicious use of manures, the feeding and breeding of cattle, the dairy industry, poultry-raising, and bee-keeping; all with the object of founding, or strengthening, societies for purchase, co-operative dairies, breeding syndicates, and poultry- and bee-raising societies.

With the same end in view, the central committees have established offices for gratuitous advice on agricultural matters. Also, they have promoted mutual improvement amongst agriculturists by inducing members of local societies to meet periodically to discuss their affairs and to put forth practical ideas upon subjects treated at the lectures.

The periodical Reviews published by the central committees are another means of popularising science. These Reviews form a strong bond between the local leagues and the federative bureau, by keeping the managers of the Leagues in constant activity, and sending about communications on interesting matters to the members. Amongst such Reviews may be specially named *De Boer*, and *Le Paysan*—(organs of the Louvain *Boerenbond*)—which are monthly reviews sending out, respectively, 34,200 and 900 copies; *De Wat-Vlaamsche Landbouwer*—*De Landbouw*—*La croix des syndicats* (Hainault)—*Le syndicat agricole* (Liège)—*L'Union* (Luxembourg)—and *la Défense agricole* (Namur):—all weekly journals of wide circulation.

We must also note the social action exerted by agricultural leagues and their federative committees, through their offices that give gratuitous legal advice,

through arbitration and conciliation, and by the interest that they take in the agricultural labourer.

In the central bureaux, a lawyer puts himself periodically at the service of agriculturists, and the knowledge of their rights and obligations often determines farmers to give up costly lawsuits. On this point, still more efficacious results are obtained from the arbitration and conciliation boards, established by the statutes of the leagues, for the settlement of disputes that may arise amongst the members themselves, or between members and outsiders. Lastly, the formation of "mixed associations" amongst agricultural labourers and farmers tends to maintain good feeling between the two classes. (From the *Bulletin de l'Agriculture*, 1908.)

As a conclusion to these remarks on *Association* a few round numbers may be useful, by giving an idea of the spread of the movement in various countries.

In *Germany*, the last statistics, furnished by the *Reichsarbeitsblatt* (Berlin, 1906), assess the numerical strength and the financial condition of German labour-associations, in 1906, as follows :—

Members of Associations. (Including *Socialists*, federated and non-federated ; *Hirsch-Dunker* syndicates ; *Christian* societies, federated and non-federated ; and *Independent* associations) :—1,826,177.

Total Receipts of these : 31,823,098 *marks*, (£1,591,154, 18s., 0d).

Such a development—reached in a few years—proves the strong vitality of the German associative movement. And to these professional associations we must add two large Catholic labour-groups :—the *Arbeitervereine* and the *Gesellenvereine* ; of which, in August 1903, there were respectively 1292 and 1096 branches, numbering respectively 204,500, and 107,340 members. The Protestant labour-syndicates, at present, contain above 100,000 members.

Ireland, which in 1894 had only 33 co-operative dairies comprising 1,650 members, had, in 1904 :—

328 co-operative dairies; 103 agricultural societies; 200 rural dairies; and a considerable number of societies for the sale of eggs, poultry, etc., besides. The number of people belonging to these various societies came to 79,963; and the amount of money handled in connection with their business came to rather over £2,000,000 (50,000,000 *francs*). Besides this, there are 200 *Raiffeisen* banks, making loans to the value of nearly £32,000.

In *France* they reckon as follows :—

In 1904, the Labour, *agricultural*, *masters' and mixed* associations, taken together, had 1,587,573 members, of whom 72,004 were women.

In 1907 (Jan. 1st), the *masters'*, *labour*, and *mixed* associations had 1,241,981 men members; whilst women's associations of the same kinds counted 93,886 members.

ART. II

The State

Two questions here arise for treatment :—The question of *right* :—*may* the State intervene? And within what limits is this intervention lawful?

The question of *fact* :—*does* the State intervene? And *how* does it intervene?

1. The Right of Legislation

Cf. on this subject :—

Leo. XIII, RERUM NOVARUM—DIUTURNUM—IMMORTALE DEI—LETTER TO THE FRENCH CARDINALS, May 3 1892.

Antoine, COURS D'ÉCON. SOCIALE, ch. ii., iii., and x.

Brants, GRANDES LIGNES, vol. i., bk. i., ch. ii.; bk iii., ch. ii.; vol. v., head iii., ch. viii.

Claudio Jannet, LE SOCIALISME D'ÉTAT, ch. ii., 2nd ed. Paris, Plon, 1890.

Villey, LE RÔLE DE L'ÉTAT DANS L'ORDRE ÈCONOM. Paris, Caen, 1882.

Cf. also the *Authors* cited in ch. ii., art. iii., of part i., *supra, L'Ecole Catholique.*

We will first consider briefly the *principle* from which this right flows, and then the circumstances which should modify and sometimes alter its application.

I. **Principle of the Right.**—(*a*) The aim of the civil power is the temporal, public well-being of society.

Now, this well-being contains two elements—*moral and intellectual* prosperity, since man is a reasonable being endowed with free-will and intelligence; and *material* prosperity, since his soul is substantially united to a body.

Therefore, it is incumbent on the civil power to provide for the moral, intellectual, material, and public prosperity of society.

Material prosperity alone is the direct concern of Political Economy.

(*b*) *How* ought the civil power to procure this? Let us sum up the teaching of Christian Philosophy upon the subject.

Man has an *eternal end* to reach. It is in order to attain this that, incited by his own nature, he *himself* forms, in the sphere of temporal interests, various societies, amongst which the most extensive is *Civil Society.*

Civil Society, therefore, exists only for the *individual*; it is his *help* and his *protector* in the pursuit of material prosperity; it does not replace the personal activity of either isolated or associated citizens, but is intended to protect, stimulate, and help it. From these principles we deduce the *three following conclusions.*

(i) The civil power ought to *remove obstacles* that may hinder the activity of human liberty, whether isolated or associated, in the lawful pursuit of material interests. Amongst such obstacles may be reckoned war, internal dissensions, excessive military burdens, and exorbitant taxes.

(ii) The civil power should *protect and defend the free activity* of man, lawfully pursuing his material ends. From this it follows that Government should :—

(*a*) Take *repressive* measures against the violation of citizens' rights ;

(*b*) Take *preventive* measures to hinder such violation; and this with the more care in proportion to the weakness of the interests threatened ;

(*c*) *Clearly determine* the rights of citizens, when the natural law is doubtful, and when such rights conflict with those of other members of society, or with the requirements of the common good.

(iii) The civil power should *positively promote the common good* by helping individual liberty. This third duty follows from the fundamental principle, with the same obviousness as the other two. To help either individual or associated freedom is not to destroy its activity or its initiative : it is only to direct and stimulate it, and to provide it with the power of action.

The State, then, is obliged :—

(*a*) To *do on its own account*, and in the interests of common welfare, what private people are incapable of ; consequently, to make commercial treaties with other countries ; to construct or improve ports and canals ; and to promote technical instruction in all branches of industry by the creation of official organisations.

(*b*) *To start public works*, which might be undertaken by private people, but which as a matter of fact are not so—at least in a satisfactory manner :—thus, the working of railways, the establishment of means of transport on a large scale, the erection of model factories, all come into the sphere of State action.

(*c*) To *help* the efforts of individuals *generously, by subsidies*, and to stimulate their activity by rewards, distinctions, abatements of taxes, etc.

(*d*) Consequently, to set the *limits required* by the general good, to the liberty of a certain class of members of society ; and to demand certain pecuniary sacrifices

from all, that the State may be enabled to fulfil her social duties.

Conclusion:—The Production of riches depends chiefly on the free energy of man, and Government can intervene only to help this to be fully efficacious. For this end, its duty is to do away with obstacles, to defend and protect the rights of citizens, and to give them positive help in the lawful pursuit of material interests.

II. Such, **in theory**, is the doctrine of State intervention in the economic field.

(*a*) In the *application* of this doctrine, other circumstances must be taken into account.

In actual fact, *individual liberty* and the *State—i.e.*, the two elements concerned in fixing the true principles of legislative intervention—are variable, when considered in the concrete. Hence flow two consequences.

(i) *The power of intervention by the State depends on the degree of civilisation, and the character, of each nation.* A people endowed, by long tradition—by temperament—by natural or acquired inclinations—with great commercial or industrial skill, and a very enterprising spirit, does not need to be helped and protected in its economic activity in the same way as a backward and poor country, with no power of initiative.

(ii) *This intervention must vary with the nature and political form of the Government.*

(1) Leo XIII, in his Encyclical *Rerum Novarum*, asks:—"What share of action, and what remedies, have we a right to expect from the State?" And before solving the question the wise Pontiff prudently remarks: "By *State*, we here understand, not any special form of Government ruling over one particular People, but every government *that is in conformity with the precepts of natural reason and Divine teaching.*" And, as a matter of fact, rulers who put their own interests before those of the nation and who have hostile intentions towards religion, prove unskilful in legislative inter-

vention. No more must be required from such men than what is strictly necessary for the maintenance of public order.

(2) The *political form* of a government is also of importance in determining the share of influence that should be allowed to public authority. Certain forms of government are stable in their nature:—*e.g.*, a monarchy, which holds by instinct and traditions and is above the passions of party. Others—(*e.g.*, pure parliamentarianism)—are subject to changes; and hence the men in power may be tempted to put on pressure, more or less disguised, at elections, and to sacrifice general interests to their private policy. France has given us melancholy examples of this phenomenon. It is natural to restrict intervention in the case of such governments. In Germany, on this very account, the "Centre" has refused to entrust the administration of Insurance banks to the State.

(*b*) All these considerations make it easy to understand the *differences* of economic legislation in different countries. Also, we must be careful not to extol reforms or demand legislation, merely on the ground that certain reforms or certain laws have produced excellent results in other countries. To appreciate the expediency of any new legislative enactment, we need something more than knowledge of the legal text:—we must take into account the social atmosphere in which the law is to be proclaimed; the special conditions of other places, where this law may be in force; and also the character, the tendencies, the traditions, prejudices, etc., of the people.

This diversity of legislation in different countries has its *limits*. There are some laws that should be made everywhere, because individual liberty and the nature of the civil power are variable only in secondary or accidental points, depending on external circumstances of time, place, and persons. In all countries, they necessarily preserve a certain common character; and hence we find, in comparing forms of legislation, that

certain laws—*e.g.*, for the protection of the weak—are universally accepted. Of late years, we have witnessed an international movement, whose efforts are directed towards promoting international legislation for protecting labour :—making enactments, *e.g.*, on the subject of work in unhealthy industries, or on the night labour of women, etc.

(*See*, on this subject, the following :—*Revue Soc. Cath ;* 1901-02, p. 1., by V. Brants : "L'office international de législation du travail, et la conférence de Bâle ;"—*Ib.*, p. 287, by M. Lauwick : "Le congrès international des accidents du travail et des assurances sociales de Düsseldorf ;" — *Ib.*, 1903-04, p. 93, by V. Brants ; "La protection internationale du travail à l'assemblée de Bâle ;—*Ib.*, 1904-05, p. 279, by J. Dubois :—"La conférence internationale de Berne pour la protection ouvrière.")

2. The Facts of Legislation : the Law as applied

In a manual of this kind, it would be impossible to give an account of legislation on subjects connected with Political Economy in many countries. We must be content to state briefly what is the *Belgian* legislation concerning the subject of this Second Part :—the Production of Riches.

See :—*The Reviews and other works edited by the Ministry of Agriculture and the Ministry of Labour and Industries.*

The legal provisions on this subject are so numerous and varied that it would be best to class them under the following heads :—

I. *Official Organisations.*
II. *Laws in favour of Associations.*
III. *Laws directly in favour of Individuals.*

I. All the **official organisations** that concern this Part of our work may be classed as belonging to th e*two*

Ministries, of "Agriculture," and of "Trade and Labour." (See Royal Decrees of June 16th, 1884; Nov. 12th, 1894; May 25th, 1895; August 5th, 1899).

A. MINISTRY OF AGRICULTURE.—Amongst other publications by this Ministry, see specially: the *Bulletin of Agriculture;* the *Bulletin du Conseil Superieur de l'Agriculture;* the *Bulletin du service de santé et de l'hygiène publique;* and the *Bulletin du service de surveillance, de la fabrication, et du commerce des denrées alimentaires.*

(*a*) In its present form this Ministry includes three separate large DEPARTMENTS:—*i.e.*, (I) the *Department of Agriculture*, divided into three separate *services:* (i) the *veterinary service*, for treating animals and improving their breed; (ii) the service for *agricultural and horticultural teaching*, and generally helping State agricultural lands; (iii) A service of *Associations* for promoting agricultural research, forming chemical laboratories, furnishing statistics, etc., etc.

(II) *The Department of Water and Forests* for woodcraft and fisheries.

(III) *The Department of Health, Hygiene, and Communal Highways and Sewers* (in connection with which are Inspectorships of Hygiene and of Food).

To the above public services has lately been added (May 1908) a new Institution in the Agricultural Department:—the *Rural Office*, with several sub-sections, chiefly concerned with scientific studies for the benefit of Agriculture. This office may, in time, engage the collaborated services of specialists not belonging to the Central Administration.

(*b*) To this same ministry are annexed two *Superior Councils*, one of Agriculture, and one of Public Hygiene.

1. The *Superior Council of Agriculture* is composed of eighteen members named by the King, nine of whom represent the "free agricultural associations," and of eighteen appointed by the provincial societies, or by the provinces, two members to each province. The business

of this Superior Council has entirely to do with the higher interests of Agriculture, and it includes two other organisations :—

(i) The *Agricultural comitia* (*Fr.* "comices") or Assemblies, each consisting of fifty working members besides honorary ones, which watch over the Agricultural interests of separate districts, appointed by the Ministry ; and

(ii) The *provincial society of agriculture*, composed of delegates from the different provincial *assemblies*. Each of these is represented by its President, and by one other member appointed for two years ; and to these is added one member from the permanent Provincial Council, appointed by the Governor.

This higher Council of Agriculture, and especially the *assemblies*, are not universally popular. The free agricultural associations declare that Government subsidies go too much to the assemblies ; that *small cultivation* is not represented in these, and is even opposed ; and that they have become useless since the extraordinary spread of the free agricultural societies. The Minister of Agriculture has tried to suppress the first grievance by subsidising even the unrecognised agricultural associations more largely. (*See* "Ministerial Circular" of Sept. 18, 1901, and Jan. 29, 1903.) The second grievance also deserves consideration : the agricultural *assemblies* should represent all agricultural interests, and distinctly favour the free associations. The third grievance seems exaggerated, though it has some justification. Official organisations are only intended to help private initiative ; and, as the latter develops, the official institution—represented in this case by the agricultural *assemblies* — must not disappear, but only diminish its activity and limit its sphere of intervention.

2. *Superior Council of Hygiene*, whose business is the study of everything that can preserve or injure public health, whether as regards food, dwellings, or work.

B. Ministry of Trade and Labour.—*See* the publications of this Ministry:—the *Revue du Travail;* the *Rapports annuels de l'inspection du travail*, etc.

This ministry was only separated from that of agriculture on 25th May, 1895. It includes,—

(*a*) Four large departments:—

1. *Direction of Trade.*
2. *Industrial and Professional Teaching.*
3. *Management of Mines.*
4. *Labour Office*, created by royal decree on the 12th of April, 1895. This last institution is an office for information and advertising; and at the same time it is a bureau for the study and elaboration of labour laws, and a committee of *surveillance* and inspection: in which last capacities it surpasses similar institutions in other countries.

(*b*) Several councils or commissions dependent on the Ministry.

1. *The Higher Council of Industry and Commerce.*
2. *The Permanent Commission of Benefit Societies.*
3. *The Commission of Provident Banks for Miners.*
4. *The Labour Council.*

The full organisation of the *Labour Council* consists of the "Higher Council," and of subordinate Councils of Industry and Labour, also, in a certain sense, the "Boards of Conciliation" belong to it.

The Higher Council is a permanent consulting body, which submits questions concerning labour to the subordinate Councils for consideration; receives and discusses the results of their deliberations; and—if needful—transmits their requests and suggestions to Government, with a view to future legislation. The Council consists of 16 head employers, 16 labour members, and 16 specialists in economic and social science. It has had much influence on the Catholic Labour-laws granted by Government, such as those affecting compensation for accidents, labour-contracts, Sunday rest, etc.

The *Subordinate Councils* of industry and labour are also, mainly, "deliberative parliaments" for Labour questions; but they are formed of masters and workmen combined, who discuss their respective interests; and its secondary object is to reconcile differences between the two classes. In this last object these Councils have not had much success; chiefly, because of the ill-will of the workmen concerned. This was specially noticeable in April 1899, at the time of the general coal-strike in Belgium.

The "Boards of Conciliation" are also industrial tribunals formed of masters and men, with a conciliatory object. Where they cannot reconcile opposing interests by way of friendly discussion, either between employers and employed or between the workmen themselves, the members act as umpires and decide the question by judicial sentence. The services rendered by these tribunals, though their constitution is sometimes unfavourably criticised, are universally acknowledged to have had important results in the settlement of disputes.

Attached to this Ministry of Trade and Industry, besides the above Councils, are the following *Complementary Services*:—

(*a*) *Services of Inspection* (for public health, pure food, etc.).

(*b*) *Services of Information* (for Trade and Agriculture). These are particularly numerous and well organised.

(*c*) *Inquiry-Commissions*, both permanent and temporary, for collecting statistics on all subjects.

Almost the whole of this excellent official organisation has been formed since 1884, by Catholic members of the Government; and the benefits resulting from it to all classes, but especially to the working-people, have been inestimable: only violent party-feeling could raise a doubt on the point.

A *Table*, of the Belgian official organisations that concern the Production of riches, will here help the student:—

A TABLE OF MINISTRIES

A Ministry of Agriculture

- I. Three Administrations
  1. Of Agriculture—Including different *Services*
  2. Of Rivers and Forests
  3. Of Health, Hygiene, and Communal Sewers, etc.
- II. Two Councils annexed
  - (i) Of Agriculture
    - Agricultural "Comices"
    - Provincial Societies
    - Higher Council
  - (ii) Of Hygiene

B Ministry of Trade and Labour

- I. Four Administrations
  1. Direction of Industries
  2. Industrial and Professional Teaching
  3. Management of Mines
  4. Labour-Council
- II. Four Councils annexed
  - (i) Higher Council of Trade and Commerce
  - (ii) Permanent Commission of Benefit Societies
  - (iii) Commission of Provident Banks for Miners
  - (iv) Labour Councils
    - Higher Council
    - Subordinate Councils of Industry and Labour
    - Council of Experts

SERVICES

(a) Of Inspection
1. Public hygiene
2. Of manufacture and sale of food
3. Of Labour

(b) Of Teaching
1. Concerning Commerce
2. Concerning Agriculture

(c) Commissions of Inquiry
1. Permanent Institutions
2. Temporary Institutions

II. **Laws directly in favour of Associations.**—We have above divided associations into those with a *lucrative* object, especially the "Co-operative Society"; those with a simply economic object called *Benefit Societies;* and lastly, *Professional Unions.*

Each of these Associations has been, in Belgium, the object of special legal provisions, as follows:—

(*a*) *Law on Co-operative Societies.*—This law establishes the right type of co-operative society, and dates from 1873. At that time, France, England and Germany had already started legislation on this subject. The Belgian law deals with the *character*, the *form*, the *names and objects*, and the *registration*, of such societies, and also with various other matters such as conditions of admission, resignation, or expulsion of members, etc., etc.

(*b*) *Legislation concerning Benefit Societies.*—The law of June 23, 1894, inaugurates a system favourable to Benefit Societies. Its chief object is to grant legal recognition to some of these societies as a *right*, and to some others as a *favour*, this being left to the King's discretion.

(*c*) *Law on Professional Unions.*— 1. Since 1830, Belgium has possessed liberty of association. Hence, one might naturally have supposed that the Government would be inclined to grant legal recognition to these Unions without difficulty; yet it was not till 1898 (31st March) that public Authority finally broke through the tradition of exaggerated "Individualism" sanctioned by the French Revolution, and even now the law on the subject is but a first step towards the corporative association of such societies. According to its provisions, a Professional Union must be *formed exclusively for the study, protection, and development of the professional interests of its members.* (Art. II).

2. Hence, a Professional Union may not meddle with purely political elections; it may not engage in commerce, nor (as a body) practise a trade, though it may make labour-contracts for its members. Also, it may

help in certain ways to forward the commercial or industrial interests of its associates, as individuals, provided that the Union itself gets no benefit by the transactions.

3. A Union that is recognised enjoys certain *civil rights*, as a *body*, such as power of pleading the cause of its members, of holding personal property which is necessary for furthering its objects, and of receiving gifts and legacies. With these rights, go also certain *obligations*, such as reporting the correctness of its constitution to the proper authorities, paying certain taxes on its possessions, and always inserting the words "Recognised Union" in its documents.

4. By many people, this Law has been accepted only as better than none at all, and as provisional. The forbidding of commercial undertakings is especially criticised. At the end of 1903, there were 692 Recognised Unions, which was an increase of 168 on the preceding year, the most numerous being the agricultural ones. In 1905 the *agricultural* Unions and Federations alone, as recognised under the present law, had reached the number of 814. (*Bulletin de l'Agriculture*, 1907).

III. **Laws directly in favour of Individuals.**—These laws have been made as the necessity for them has arisen, without any pre-conceived plan. We will therefore briefly enumerate them, without attempting any particular sequence.

(*a*) *Law of 13th December*, 1899, *on the labour of women and children.*

This beneficent law has remedied crying abuses, in the industrial tyranny practised on women and children by excessive, over-lengthy, and over-early work.

(*b*) *Law of 2nd July*, 1899, *on the health and safety of work-people.*

(Before this Law, there had existed certain provisions —first enacted as early as 1849—for the health and safety of the worker.)

By this present law, Government may "enjoin suitable measures for ensuring the healthiness of workshops

and of work, and the safety of the workmen, in such industrial or commercial undertakings as may be dangerous, even when not classified as such. The Law, therefore, does not take count of agricultural undertakings.

(*c*) *Law of* 10*th March*, 1900, *on Labour contracts.* The *special character* of this Law is respect for the liberty and equality of the contracting parties. In contradiction to the principles of "Economic Liberalism," it sees in the contracting workmen, not a mere productive machine, but a whole physical, intellectual, and moral, personality.

(*d*) To the above, we may add *a few other laws* that have made less noise, but are nevertheless socially important.

1. *Law of* 30*th May*, 1892, *on the freedom of Labour*, imposing severe penalties for any kind of physical or moral compulsion or intimidation, of employers or employed.

2. *Law of* 15*th June*, 1896, *on Work-shop regulations*, compelling the public display, in certain business premises, of rules, time-tables, etc.

3. *Law of* 16*th May*, 1900, ensuring the *preservation of the family home* to the humblest classes; to which is attached another law, of 20*th November*, 1896, on the succession-rights of the surviving husband or wife.

(*e*) Lastly, we must just mention here a class of Laws (which will be more fully treated in Part IV) of great social importance, relating to *just wages*; the *savings of married women and minors*; *pensions*; *provision against*, and *compensation for*, *accidents during work.**

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* Readers or students who may wish for still more minute details on Belgian Associations, and Belgian Industrial and Commercial Legislation, are referred to the *French original* of this book, pp. 168 to 199. The *substance* of these pages is given here, but in a somewhat abridged form. [An interesting review of similar legislation in England is to be found in *Statistical Memoranda and charts . . . relating to Public Health and Social Conditions*, (*col.* 4671). London, Wyman & Sons, 1909. *Trans.*]

ART. III

The Church

Cf. on this subject:—

Leo XIII, RERUM NOVARUM and GRAVES DE COMMUNI.

Périn, RICHESSE DANS LES SOC. CHRÉT., vol. i.

V. Brants, GRANDES LIGNES, 4th ed., vol. ii, bk. v, ch. iii.

Antoine, COURS D'ÉCONOMIE SOCIALE, ch. vi.

Sarda-y-Salvany, LE MAL SOCIAL, vol. i.

Antonin Rondelet, LE SPIRITUALISME EN ÉCON. POLITIQUE.

The Church has the right of intervention in the question of social economy, as we have already shown in Part I. This intervention is *lawful*, of which we will adduce proofs; and it is *necessary*, especially in all that concerns the production of wealth, as we will point out in detail.

I. **Lawfulness of the Church's Intervention in General.**—(*a*) The immediate end of Civil Society is the temporal good of the Public. The end of the Catholic Church is the eternal happiness of each individual. The pursuit of this double end is indissolubly united in every human being. Hence, in aiming at his temporal well-being, man cannot ignore his eternal destiny, and must subordinate the pursuit of material goods to the attainment of his last end. Therefore, Political Economy cannot leave out of consideration the true religion; and its laws are necessarily subject to the laws of that religion, and of true morality. "It is with confidence," says Leo XIII (Encycl. *Rerum Novarum*), "and in the fulness of our right, that we approach this subject; for the question under consideration is of such a nature that, without an appeal to religion and the Church, no effectual solution of it can be found."

(*b*) The *rationalists themselves*, though denying her

divine character to the Church, are compelled to recognise the lawfulness of her intervention in the social question. Who could have the right to consider this question, if we refused it to the Church? She is, beyond all dispute, *the greatest* of all social institutions, and hence has a right to be the first to raise her voice in this formidable matter. She is, besides, *the oldest* social institution: where, then, could we find such experience and such tact as hers for the solution of these grave problems? Further, she is the *most universal*—or, rather, the only universal—social institution existing; and hence she must be more fit than any other to make her wholesome influence universally felt.

(*c*) Social evils, and particularly economic evils, would not exist if man's *intellect* had not gone astray through error, and his *will* been attracted by evil; or if his *economic activity* were firmly directed towards the attainment of material welfare, in strict conformity with the supreme law of the True and the Good. Now, the Church cures the principal evil of the *intellect*, by teaching the existence of God, the last end of man. She thus upsets the theory of utilitarianism, which limits man's supreme end to the greatest possible sum of earthly happiness, and destroys the disastrous consequences of such a theory: the struggle between classes, the unlimited spirit of competition without moral restraint, and socialism. She gives a solid foundation to authority, and so saves society from anarchy, constant revolution, and ruin.

Secondly, the Church cures the *evils of the will*, and the sway of bad passions. She induces the Christian workman to practise sobriety, economy, and foresight, and to love work. She thus actually puts into his hands the means of avoiding misery, and of satisfying his genuine and repressing his artificial need. Further, should circumstances bring any of her children to want, she knows how to stimulate others—better endowed with worldly goods—to come generously to their help.

Lastly, the Church exercises a vast influence over *all*

the actions of man, and incessantly guides his economic activity by the infallible rules of Christian religion and morality. By her institutions, good works, and example, she helps him immensely in the pursuit of his material ends; and, by her propagandism, she is able to reach the very lowest grades of society. This triple mission of the Church is admirably summed up by Leo XIII in his Encyclical *Rerum Novarum*.

"It is the Church that insists, on the authority of the Gospel, upon those teachings whereby the conflict can be brought to an end, or rendered, at least, less bitter; the Church that uses her efforts, not only to enlighten the mind, but to direct by her precepts the life and conduct of each and all; the Church that improves and betters the condition of the working-man by means of numerous useful organisations; the Church that does her best to enlist the services of all ranks in discussing and endeavouring to meet, in the most practical way, the claims of the working classes; the Church, finally, that acts from the positive view that for these purposes recourse should be had, in due measure and degree, to the intervention of the law and of State authority."

II. **Influence of the Church on the Production of Riches.**—(*a*) The *remote causes* of the Production of riches are, as we have seen, nature, labour, and capital. Nature (the earth, and natural agents) was created by God: we must accept this fact, and extract all that we can from her, by labour with the help of capital, for our use: but the share of the Church in influencing *labour* and *capital* is considerable.

I. Labour. (1) The more *energetic* labour is, the more fruitful it is. Now, religion gives an energy to work that nothing else can give. Work implies an effort—a victory of man over himself—an habitual sacrifice of his desire for repose. Now religion—and religion alone—teaches constant renunciation, and alone gives the strength to practise it.

Self-interest and the hope of gain doubtless act as a spur to the labourer; but he very often sees, in idleness

and a comfortable life, a more immediate and attractive object which he will pursue if Christian self-denial does not come to his aid. To the Christian workman, labour is a means of attaining to God, and to his own beatitude; hence, he will put into his work something of the powerful tendency that draws him towards God. Thence his work will derive an unconquerable strength and energy.

History gives strong proof of this. Energy in work decreases as the vices opposed to Christianity increase. The decline of ancient states—*e.g.*, those of Greece and the Roman Empire—is a striking testimony to this fact. (*See:* H. Wallon, *Histoire de l'Esclavage*, Part II., chaps. iv. and xii.—Bœckh. *'Economie politique des Athéniens*, Book IV., chaps. ii. and xxii.—Duruy, *Histoire des Romains*, chap. xviii, § 2—Dureau de la Malle, *'Economie pol. des Romains*, Book II., chaps. xxiii., etc.).

(2) For labour to be fruitful, it must be *free;* and it is free, in the first place, when it is not compulsory; and, next, when the fruits of his work remain the property of the worker. Without these two conditions, work is slavery.

Now, it was the Church that enfranchised labour, by causing it to be loved, and by having in all ages vindicated the labourers' right to own the fruit of his own efforts. Also, by abolishing slavery in as far as, and as soon as, circumstances allowed. That slave-labour is inferior in vigour to free labour, is proved to demonstration by the social history of Greece and Rome. (*See* Dureau de la Malle, referred to above, Book I., chap. xv.—Dareste de la Chavanne, *Histoire des Classes Agricoles*, chap. iii. sec. II).

Modern *Russia* furnishes a proof of the same truth :—the nobles understand that it is to their own interest to leave a certain amount of independence and partial ownership of the land they cultivate, to their serfs. By this means they get harder and more sustained labour, and a higher rent, out of them.

Some fifty years ago, *America* had provinces where

slavery was far from being abolished, and the industrial, agricultural, and financial inferiority of these very provinces, as compared with the States where free labour obtained, was striking. (*See* M. Haxthausen, *'Etudes sur la Russie*, Vol. I., chap. iv.—A. de Tocqueville, *La Démocratie en Amérique*, Vol. II., chap x.—Cochin, *L'abolition de l'esclavage.*)

(3) *Honour* is also needed to make labour fruitful. There is an instinctive feeling of his native dignity in man, which makes him wish to receive honour however humble his employment, his name, or his fortune, may be. Hence, if he is expected to set to work with all the energy, perseverance, attention, and consistency, of which he is really capable, he must be enabled to find dignity in his labour and to feel that it is honourable. Nobody can deny that the Church dignifies work with this great and honourable character, and so makes it desirable and loveable. In fact, she alone teaches that labour purifies the worker, strengthens the will, and so *raises man towards higher things.* She alone shows how hard work, by the sacrifices it entails—by the very humiliations that often accompany it—*helps man to become detached from himself* and from earthly things, and to attach himself to God, the one and only source of all greatness.

The Church alone has *reinstated labour*—despised and degraded as it was by Paganism. She has reinstated it as to its *object*, by imparting a higher use than that of mere enjoyment to wealth; and as to its *basis*, by making the renunciation inseparable from it the foundation of Christian merit and greatness.

Lastly, she alone has the power of causing this sublime doctrine on work *to be accepted and practised.* This she does by the example of her Divine Founder, His apostles, and the monks who have laboured so hard, as well as by the supernatural, and absolutely necessary, graces of which she is the channel. (*See* F. de Champagny, *Charité Chretienne dans les premiers Siècles*—Montalambert, *Les moines d'occident.* Mabillon, *Praef.*

in acta Sanct., ord. S. Bened., in prim. saec. c. XIII; in tertiam saec. p. i., § 48—Hürter, *Tableau des Institutions et des moeurs de l''Eglise au moyen-age*, Vol. II—Gaillardin, *Histoire de la Trappe*, Vol. I.)

II. CAPITAL.—This is Labour's indispensable instrument for the production of riches; but without the Church's teaching the formation of capital and its rational use are impossible.

(1) The *formation* of capital is entirely due to *renunciation*; and this is not taught practically—still less, efficaciously—except by the Church.

That renunciation is the source of capital cannot be denied; for making a capital means putting aside a portion of the products of labour to use for ulterior production; and to put aside wealth for an uncertain future is to deny oneself a present enjoyment, that is, to perform an act of renunciation.

Now, self-interest pure and simple is not enough to impress a habit of economy on mankind. Experience has proved this:—the workman without faith, without instruction, given up to his passions, is incapable of providence and saving; practical men, promoters of banks for pensions, savings, etc., have much to say on this subject.

(2) Thrift, to be *fruitful*, must not degenerate into avarice. The Church, whilst inciting to thrift, also fixes its limits. Avarice assumes, and actually engenders, hardness and selfishness; the Church encourages charity, forbids covetousness, and inspires her children with benevolence and generosity. She teaches the true purpose of riches, and the lawful use that may and ought to be made of them: *i.e.*, that, for every man, wealth must only be the means oi acquiring a nobler and ulterior perfection.

The known facts of history confirm the need for the intervention of religious principle. Writers, quite unsuspected of partiality for the Church, have acknowledged the weighty influence of Christianity, with her doctrine of renunciation, upon the formation of riches in both

modern and mediæval society. "Christianity," says M. Pelletan (*Profession du foi du xix Siecle*), "had preached to the Northern races, dwelling on a yet virgin soil, the doctrines of self-denial and continence; and involuntarily, unconsciously to itself, had contributed to the development of thrift, and, by thrift, of riches."

The Pagan civilisations of Greece and Rome had their times of prosperity; and these corresponded with the practising of certain moral virtues, which only came to full maturity with Christianity. As soon as those nations abandoned themselves to vice, to the passion for enjoyment, to the love of luxury, and to indolence, that prosperity began to decline, and ended by giving place to the blackest misery and the ruin of the State. (*See*, on this whole subject, Mabillon, *Praef. in saecul. tertium*, p. i., § 48 and 49.—Naudet, *de l'état des personnes en France sous les rois de la première race.* F. de Champigny, *Les Césars*, book iii., ch. i. — Müller, *De Genio, moribus et luxu aevi Theodos*, vol. II, ch. vi.)

(*b*) The *immediate causes* of the production of riches are industries. What is the Church's influence from this point of view?

Industry, to be productive, should spring from *the free activity of man*; where individual initiative is lacking, all industries languish. If Socialism contained no other errors and no other contradictions, it would be condemned by the mere denial of this one principle:—that *free individual activity should be the basis of all economic action.* But individual liberty is not the only law for the production of riches. As we have seen above, if unrestrained it develops into selfishness, and all the other disastrous consequences of "economic liberalism." Hence, the true direction that should be given to industry is that of a happy medium between these two errors; and the school that points out this intermediate way is the Catholic School, supported by the teachings of the Holy See.

We are not concerned here to give proofs, over again, of the Catholic doctrine that both safeguards liberty

and holds it within proper limits, by the well-timed intervention of authority. We would only remark that this teaching of the Church on the subject of Political Economy is no surface teaching, extemporised for the need of the moment, to solve social problems. No: it has its root in the very nature of man and of civil society; it has always been the doctrine of the Church, and always put in practice by her when she has had full liberty of action.

(*c*) The *conditions* for the production of riches are: *association, State intervention*, and—as we are here concerned to prove—*the influence of the Church.* This last condition exerts a powerful influence over the other two.

I. *Association.* 1. Members of any union, contracted in view of the same object, must clearly have *faith* in one another. If the association has transactions with a third party—*e.g.*, if it is commercial—in order to attain its object it must inspire the public with *confidence.* Certain associations, such as Benefit Societies, rest further on a feeling of *reciprocal good-will.* All of them, in short, take for granted in their members a spirit of *conciliation, mutual support*, and *discipline.*

Now, who can fail to see that all these qualities spring, more or less immediately, from religious principle? Confidence can only be inspired by *honesty*, and *love of justice.* Benevolence is real and lasting only when originating in *Christian Charity.* The spirit of mutual help and conciliation, when sufficiently developed to make us really prefer the common good to our own interests, takes for granted the virtue of *self-sacrifice*, which requires that man be guided by motives of the highest kind.

Association, then, if it is to be powerful—and, still more, durable—must have religion for its foundation.

2. *Observation* shows the immense influence of the Church on association.

It was *She* who established, in the middle ages, the great association of *the Peace and Truce of God*, which

at that period was the sole bulwark against the scourges then devastating society. It taught the people to combine for the resistance of oppression, the protection of their goods against pillage, and the general maintenance of their rights and customs.*

It was under *the influence of the Church* that the great guilds and corporations of the middle ages arose: — institutions whose economic value is now beginning to be recognised by even the most prejudiced. It is also *thanks to the Church* that association has spread so wonderfully in our own day. It was from Leo XIII's own voice that the movement towards institutions for social amelioration received the impulse which will, doubtless, end in the re-constitution of society on a corporative basis.

Even the adversaries of the Church benefit, without knowing it, by her action. They live in a world of association, but they have never dreamt, or they will not admit, that it is the Church who created it. They, too, form associations and find their profit in this act, because of the spirit of solidarity, of justice, of kindness and of integrity, with which the Church has inoculated all classes of society from the beginning. But their institutions, resting on so insecure a foundation, are necessarily decrepit. The social institutions inspired by liberalism are insignificant. Those inspired by Socialism, bred as they are in the midst of a fierce hatred of modern society and fostered with skill and energy, are able, for a time, to appear strong and consistent. Yet, in reality, they are but based on violence and passion, essentially transitory things. Already ominous cracks appear in this imposing structure, rifts which the party leaders are powerless to conceal. We need but call to mind the noisy disputes that crop up periodically in their co-oporative societies, the profound dissensions that

* *See* Sémichon, *La Paix et la Trêve de Dieu.* This book portrays, with admirable clarity, the influence that this association of the Church's creation has exercised on the whole social framework.

become ever more marked between the manual workers and the intellectuals of the party, the wrangles between the adherents of the "neutral" trade-union and those of compulsory affiliation to the party. Let us remember, too, the intestinal dissensions between the Italian and the French socialists, and the repulse to German socialism in the last elections for the Reichstag.

II. *State Intervention.*—(1) The State should intervene in the economic question; but it may only do so as a condition of greater success, in a restricted manner, and leaving all lawful initiative free to either individual or combined effort.

Such is the principle which upsets "economic liberalism" and Socialism together, and such is the only road that will not lead to the economic ruin of a nation. Full proof of this has been given above. (Part I., chap. ii.)

Now, it is the Church and Christian Philosophy that have together determined the right attitude of the State towards the production of public wealth; and, hence, the economic prosperity of nations which will result from wise State-intervention has its first source in the teaching of the Church, carried out consciously or unconsciously by Governments. This is a consideration of capital importance, upon which the Christian economist cannot lay too much stress, and which is irrefutably confirmed by the observation of facts. For, in point of fact,

(2) the economic condition of a country is necessarily affected by its political state. Material prosperity is never found, permanently, in a State given up to either despotism or anarchy. But the necessary result of frank liberalism is anarchy; and the necessary condition for the existence of socialism is despotism. The whole history of the Church proves that her own existence has been a perpetual struggle, on the one hand with despotic powers, and on the other with the anarchy, insubordination, and unrestrained passions of the multitude.

To develop this statement would lead us too far; but it is enough, here, to recall the battles of the Church with the State to save the people from slavery, or merely from the tyranny of certain despotic princes; or, again, the efforts made by her to stop anarchy or revolution, and to bring back the populace to due respect for lawful authority. (*See*, amongst others, Kraus, *Histoire de l''Eglise.*)

(3) No sincere mind, nowadays, doubts that European civilisation has been the work of Christianity. Now, if civilisation itself is the work of the Church, economic prosperity—which is a necessary part of it—is also due to Christianity. And if, in the past, the latter has exercised such a powerful influence over the material well-being of society, she is called upon in our own day to perform the same service:—her powers, in short, have not diminished.

Moreover if, in past ages, no civilisation—and therefore no material prosperity—has had real consistency, except when connected by the moral and religious principles of Christianity, we may safely assert that the present times will witness the same phenomenon. France is beginning, at her own cost, perceptibly to prove this assertion. She has officially proclaimed herself atheistic, and has declared war against the Church; but, at the same time, she has presented to the world the sad spectacle of her internal disorganisation, from the political, military, financial, and above all moral, points of view.

PART III

Circulation, or Exchange, of Wealth

Cf. on this subject:—

V. Brants, LA CIRCULATION DES HOMMES ET DES CHOSES; and GRANDES LIGNES, bk. iv.
Hervé-Bazin, TRAITÉ ÉLÉMENTAIRE D'ÉC. POL., part iii.
Leroy-Beaulieu, PRÉCIS D'ÉCON. POL., part iii.
Périn, PREM. PRINC. D'ÉC. POL., ch. iii.
Liberatore, PRINC. D'ÉC. POL., part i, ch. iv.
Ch. Devas. POLITICAL ECONOMY, bk ii, EXCHANGE.
Jos. Rambaud, ÉLÉM. D'ÉCON. POL., part ii.
Guillemenot, ÉLÉM. D'ÉC. POL., ch. ii. Paris, Bray et Retaux, 1884.

PRELIMINARY REMARKS

I. Part II of this work—on the Production of Wealth—was entirely concerned with the causes and conditions that influence the creation of Values. But this creation may take place *directly* or *indirectly*. Hitherto, we have treated only of the first way; we have now to examine the second, which comes about through the *circulation of wealth*. A thing produced may be of no immediate utility to the producers, but will be sought for by others; it must therefore be exchanged, and thus made to reach those who wish either to consume it, or to use it as an instrument of fresh production.

II. The exchange of wealth is a necessary corollary of the division of labour, and the latter becomes of more

importance in proportion as the industry of a nation advances. It follows that no society can enjoy lasting prosperity that has not created, both in its own midst and around it, a vigorous movement of commerce, or "circulation of wealth."

Exchange is necessary, not only to civilised nations, but also—though in a much less degree—to the least complicated of societies, and even to primitive civilisation. The reason for this is found in the varying productive capacity of different regions, and the varying productive skill of different men.

III. All circulation *gravitates around the exchange-value of objects*; and hence it is necessary to determine this value. Many economists have laid down, as a fundamental principle in the assessment of value, the following law:—"The value of a thing is in direct ratio to the demand, and in inverse ratio to the offer made for it,"—and it is, in fact, from this law that we may deduce the three ordinary determining causes of exchange-value.

(*a*) *Usefulness and rarity* are elements in the value of things. The more useful a thing is—either absolutely, by its own intrinsic work, or relatively to the purchaser—the more the latter wishes for it, the more he *demands* it, and consequently the greater *value* it has in his eyes. In the same way, the rarer—*i.e.* the *less offered*—any object is, the more sacrifices people will make to obtain it; and hence its *value* increases.

(*b*) *Labour saved* to the purchaser, either in manufacturing an object or in getting it transported to him, increases its *worth* in his opinion, makes him *demand* it more urgently, and be willing to pay more for it.

(*c*) *The costs of production* contribute towards increasing the exchange-value. It is to the producer's interest not to sell his wares except at a profit; so that the more expense he has been put to in the production, the more exacting he will be as to the price:—in other terms, the *supply* will be less, and consequently the *value* will be raised. This last cause, however, has its

limits, and is sometimes neutralised by the first. For, if there is a more abundant supply of excellent goods, produced at high cost, than is needed by consumers willing to pay for them, the price falls—*i.e.*, the things depreciate in value.

(*d*) To these *ordinary* causes must be added others that depend upon *special circumstances*. Such causes are: —custom (which has a particular influence in regions where there is but little competition)—wars—great crises—monopolies—and, above all, the Christian idea of justice and charity more or less fully developed.

All these causes united form a common principle of appreciation—an estimation *in globo*—which establishes a current value for things of the same kind exchanged in the same market. This is the *aestimatio communis* that has been considered by Catholic theologians, for ages past, as the criterion of value and of just price.

IV. The circulation of wealth is necessary in every society where the public welfare is of importance: hence, we must find the most appropriate means for its development.

The most elementary mode is *simple barter*, by which two men give each other one thing in exchange for another:—*e.g.*, corn for cattle. Next comes *circular barter*, or barter through a medium. This medium must be some commodity equally known and valued by both sellers and buyers, easily accepted, and but little subject to deterioration. Most countries possess such a medium: —the pastoral races had cattle; and it is from them that we get the word *pecunia*, which refers to the exchange of flocks. Other peoples had, or still have, furs (America), salt and pepper (Abyssinia), dried cod (Newfoundland), printed cottons, sugar, tobacco, etc., etc.

Barter, whether simple or circular, presents numerous difficulties. These various objects may change their value, and sometimes quickly deteriorate; they are not always capable of division; and the purchaser sometimes does not want them. Therefore, mankind sought for

something better; and presently discovered, as the best medium of exchange, the *precious metals*, and especially gold and silver. Lastly—it is believed in the middle ages—they established *letters of credit*, which were destined to give that wonderful extension to the circulation of wealth which we witness nowadays.

V. Part III of this Manual will be devoted to the study of those two great means of circulation: *money* and *credit*. They will form the subject of the first two chapters:—a third will trace the limits that should be put to exchange with other nations (international trade), in order to prevent it from becoming an *obstacle* to the economic prosperity of a country. We shall therefore have:—

Chap. I. Money.
Chap. II. Credit.
Chap. III. International Trade.

CHAPTER I

Money

Cf. besides the authors cited above :—

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Thiry Clément, VALEUR MÉTALLIQUE ACTUELLE DE L'ÉCU DE *5* FRS. *Revue de comptabilité et de finances,* 1906, No. 1, pp. 2-3.

ART. I

Economic Function of Money

Money is any exchangeable goods which are a common medium of exchange. [To which Devas adds: "And a measure of value."—*Trans.*]

In the present chapter, we restrict this general meaning of "money," and by "goods" we mean *only* the precious metals gold and silver.

I. Now, *what is the economic function of money,* thus understood, in the exchange of wealth?

To understand it, we must see what are the necessary conditions of goods destined to be the ideal medium of all exchange.

They must suit all men, without distinction, in every place, and to the same degree.

Hitherto, no object has been found fully realising all these conditions: but the goods that do so least imperfectly are the precious metals of gold and silver. We may test the truth of this statement by considering all the advantages that spring from the use of these two metals.

(1) Their intrinsic value, without which they would not be accepted as a guarantee in exchange;

(2) Their ease of transport;

(3) Their indestructibility: they wear out only by friction;

(4) Their homogeneity. They are of the same kind in whatever part of the earth they are found. The diamond does not possess this property, and hence has not been adopted as money.

(5) Their divisibility: subdivided, they keep their relative value.

(6) The stability of their value, though this is not absolute. The discovery of new gold-mines:—*e.g.*, in California and Australia; of new silver mines:—*e.g.*, in the United States:—has caused an alternative rise and fall in the value of the two metals. Nevertheless, these

precious metals are the least unstable of all goods in value. On account of the difficulty in extracting gold and silver, the amount of them annually produced forms but a small portion of the whole existing stock, and consequently has only a slight and gradual influence upon the supply already in circulation.

(7) Their easily-tested properties, which make falsification difficult. These properties are their colour, weight, resonance, and hardness.

II. *From the above facts spring some important corollaries, which will make the economic function of money clearer.*

(*a*) The precious metals are a means of exchange only because they possess an intrinsic value.

The *debasement of coins* is therefore not a means of enriching society, but an obstacle to the circulation of wealth. Philippe le Bel, who got the name of "the false coiner," proved this at the expense of his nation. Other princes, after him, abused their power by lowering the standard of money.

The French Revolution, in this as in other things, went to extremes. The State created paper-currency, (*assignats*) and decreed its compulsory circulation amongst private people, while itself refusing to pay the sum represented by such paper.

The inevitable consequences of all debasement of the coinage is that the price of commodities alters in proportion to the alteration in the purity of the money. If the latter is debased to the amount of $\frac{2}{3}$, *e.g.*—the seller exacts $\frac{2}{3}$ more in payment; if the debasement is complete, he absolutely refuses to receive the money, and its circulation comes perforce to an end.

(b) Money does not constitute the wealth of a nation. Why? It is a means of exchange for goods: if, therefore, in any country, there is an abundance of exchange-mediums, and a scarcity of goods to be exchanged, the circulation of wealth—and, consequently, the multiplication of useful objects—is suspended.

The contrary error, in the seventeenth and eighteenth

centuries, caused the *mercantile system*, with its disastrous consequences, to prevail. On this account Spain, in the sixteenth century, lost a great part of her colonial mines. At the present time, England possesses only a small amount of money—about £140,000,000—and is nevertheless rich. This is because circulation is rapid, and the same piece of money may exercise its function of medium very frequently.

If there is unused money in a country, this constitutes a capital without a revenue: to which loss must be added that of the *wear*: *i.e.*, the diminishing of weight, produced by friction in the use of coin.

ART. II

Coinage and Issue

I. The economic function of money, as we have just seen, consists in being a universal medium of exchange.

(*a*) *From this it follows that it should realise three conditions.* First, its *weight* (*i.e.*, the quantity of metal) and its *standard* (*i.e.*, its quality) must be *guaranteed.*

Next, this guarantee must be safe enough to dispense dealers from the necessity of testing the money presented to them, on every occasion of exchange. Such a rudimentary proceeding—still customary in China—would greatly slacken and complicate circulation. Hence, the guarantee of weight and standard must be *official.*

Lastly, money must be accepted by everyone as a valid medium of exchange. Without this last condition, endless disputes would arise between debtor and creditor. Therefore State-intervention is required to give *legal currency* to the pieces of money whose weight and standard it has guaranteed. To coin money, then, is to cut up every ingot into a determined number of pieces; to mark these pieces with an official stamp, guaranteeing their weight and standard; and to give them compulsory currency for the full value guaranteed by the stamp.

(*b*) It follows from this idea that *the State alone can coin money.* For this purpose, it may adopt either of

two systems: coinage *by administration*, or coinage *by contract*. In the first case, the State coins money by means of its own agents; in the second, it entrusts the work to private persons who coin at their own risk and peril, under control of the administration.

The first system is adopted by the United States. Russia, and France. The other system is preferred in Belgium. There, in return for certain guarantees, the State allows the privilege of coining money to the directors of mints ("*hôtels des monnaies*"). Private people take their bullion to these places, pay the directors a tax for *brassage**—a very small return for the expense of coining—and receive from them the coins which they themselves put into circulation.

(*c*) *The economic function of money fixes for us the limits of State-intervention.* Even if the State has the monopoly of coining, by administration or by contract, it still cannot have the right of issue. Ordinarily speaking, it must leave full liberty to individuals to take their bullion to the mint. Money is intended to facilitate the circulation of riches by private people; and to forbid them to issue coin would be to forbid exchange. Moreover, the members of society are the people chiefly interested in commercial prosperity; and they know commercial needs better than the State does. The only time when exception may be made to this general rule, is when the public interest requires it. A considerable depreciation of the metal standard may arise, and has actually arisen of late years, when the abundance of silver has naturally caused its value to fall. For a reason of this public order, the State may interfere to forbid the fabrication of coin.

II. *The State alone coins money. Therefore, in the fabrication of coin, it should aim at making it fulfil its purpose as a medium of exchange in the most perfect manner possible.*

(*a*) The State is therefore bound to impart to coin

* Or "seignorage."

the maximum of hardness and resistance to friction. Gold and silver wear thin less rapidly when combined with another metal: *e.g.*, copper. The amount of this metal ought to be a twelfth, according to metallurgists, in order to present the maximum resistance to friction. Every State takes account of this rule, and mixes a certain quantity of inferior metal (*alloy*) with the precious (*standard*) metal which forms money. The proportion itself is not always exactly the same. Countries that use the decimal system—*e.g.*, France and Belgium—make their coins of nine-tenths of pure metal; *i.e.*, of 1,000 parts of metal forming a coin, 900 are of the precious metal, and 100 of another, such as copper. In England, on the contrary, the coins are struck with $\frac{917}{1000}$ of pure metal.

In practice, it is very difficult to obtain these proportions exactly; and hence it has been necessary to admit a variation in *weight* and *standard*, called "tolerance" in France, and "remedy" in England. This is only a slight deviation (above or below) from the legally-allowed proportion of alloy and degree of weight. Its amount differs in different countries, but is on an average about $\frac{2}{1000}$.

(*b*) The State is bound, for the same reason, *to see that the nominal value of a piece of money corresponds to its real value.* The latter diminishes with the weight of the coin; and the causes of this loss of weight are friction and clipping.

The importance of *wear*—*i.e.*, of the slow diminution of weight produced by friction—depends upon the very nature of the metal: gold wears out four times less rapidly than silver. It depends also on the circulation of the piece: and, lastly, it has been noticed that the roughnesses of a surface disappear very fast, and that coins with grooved edges lose weight more easily than those with a smooth edge.

Clipping is the trick that consists in taking away a portion of coins by filing, cutting, etc.

The State is therefore compelled, after a certain time, to melt down old coins that are worn or clipped. Without this precaution money-changers, on the one hand, would seize upon all the heavier pieces of money, melt them down to the lighter weight, and so make a considerable profit by them; whilst, on the other hand, traders would become uneasy as to the value of coins offered to them, and would suspend the exchange of their goods.

III. The circulation of wealth imposes yet another duty on the State. Coins of gold or silver are not capable of division beyond a certain limit. Pieces of silver worth a penny * are the smallest that can be struck, and even these are not of much practical use. It has therefore been *necessary to introduce "token" coins.* The token of copper or nickel is only a representative sign of value; its intrinsic worth is not that indicated by the stamp; a half-penny piece, for instance, is not worth more than a tenth of a penny. If these subsidiary coins were fabricated of a size corresponding to their real value, we should have money that was much too cumbersome.

Token coins—unlike real gold and silver ones—*are issued as well as made* by the State. The profit accruing from this issue is too considerable and too tempting to be left to private people. The State itself, in order to keep up the artificial currency of token money, must limit the amount up to which people are obliged to accept it as "legal tender," and restrict the coinage to the quantity exactly required for circulation.

Amongst conventional, or "token," coins, we must reckon silver pieces whose value has been depreciated: —*e.g.*, the English silver coins that have been struck since the adoption of a gold standard in that country (1816). Their weight, indeed, has been diminished by 6 per cent. The pieces of silver money of less than

* The text says 20 centimes, *i.e.*, 2d. But silver pennies have been struck in England.

5 francs' value, issued since 1865 by the signatory States of the Latin Union, are also conventional coins; for, by the terms of the convention, they contain only $\frac{835}{1000}$ of pure metal instead of $\frac{900}{1000}$. We shall speak of the "Latin Union" in the following article.

ART. III

Monetary Legislation

It is of great importance to the circulation of wealth for a country to adopt a monetary standard:—*i.e.*, a metal that can serve as a general measure of value; and, further, that this standard should be so chosen as not to place any country in an unfavourable position, in this respect, with regard to other nations. Now, it is clearly the business of the State to regulate this matter by legislation.

I. **The French and Belgian Monetary System.**—The "Law of the 7 Germinal, year xi" (28th March, 1803), extending to Belgium, makes *silver* the monetary standard. The monetary unit is the *franc*, weighing 5 *grammes*, of which $4\frac{1}{2}$ grs. are silver, and $\frac{1}{2}$ gr. copper:—*i.e.*, the proportion is $\frac{9}{10}$ of pure metal to $\frac{1}{10}$ of alloy.

The law decided at the same time that gold, though it could not be the monetary standard, should have the same purchasing power as silver; also, that it should be legal currency and unlimited legal tender. Its proportion of pure metal to copper should be the same as that of silver. In theory, therefore, this law adopts monometallism; in practice, bi-metallism. Finally, the law fixes the relation between silver and gold, which is as 1 to $15\frac{1}{2}$: therefore, one *gramme* of gold is legally worth $15\frac{1}{2}$ of silver.*

* This proportion is only fictitious. In reality, it varies considerably, which is one of the inconveniences of the system adopted in 1803. At Rome, in the early ages, a *gramme* of gold was for a long time worth only 10 grs. of silver. From the middle-ages down to the present time, the relation between the two metals has constantly varied, being greatly influenced by successive fresh discoveries of either gold or silver mines in different countries.

In 1865, Belgium, in concert with France, Italy, and Switzerland (Greece followed in 1876), signed, for fifteen years, a convention called the *Latin Union*, with the object of protecting silver money, which threatened to disappear. The causes of this depreciation of silver, which still continues to get more marked, are:—the abundant production of the metal from new silver-mines; the diminution of silver exports to foreign countries; and the recent withdrawal of silver from circulation in several great States*—in Germany (1873), in the Scandinavian States (1873-75), in Austria (1892), and in India, by the English government (1898).

It seems that, in view of the constant depreciation of silver, there is some cause for anxiety. Still, experts in these matters assert that the situation, brought about by these successive conventions, is rather to be considered favourable, for it presents all the advantages of mono-metallism and practically preserves all the value and utility of the five-franc pieces of silver in commercial transactions.

The Convention of 1865 was renewed, and modified in certain points, in 1875, '78, '85, and '91. Since that time it has been prolonged from year to year by a tacit renewal.

The following are the chief clauses of this monetary convention, with the modifications that they have successively received:

(1) The legal proportion of 1 to $15\frac{1}{2}$ is maintained, but only for coins of 5 *francs*.

(2) Subsidiary silver coins (20 and 50 centimes, 1 and 2 francs) can no longer be struck except in the proportion of 6 francs (since 1897, raised to 7 francs) per inhabitant.

(3) These subsidiary silver coins are to contain 835 thousandths of pure metal, instead of 900 thousandths;

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* "Withdrawal from circulation" means that the law no longer compels creditors to accept a certain kind of money beyond a certain sum:—*e.g.*, beyond 50 *francs*.

and they are not to have artificial enforced currency beyond the amount of 50 *francs*.

(4) The signatory States undertake to admit into their banks, reciprocally, gold coins and 5-franc-silver pieces.*

The coining of 5-franc pieces, free at first, was limited in 1875; then, having been suspended in 1878, it became finally free in '85, but only on somewhat onerous conditions. In point of fact, no State has resumed the coining of silver 5-franc pieces. Spain, which does not belong to the Latin Union, was herself compelled, in 1901, to suspend the coining of silver.

Such, in its broad outlines, is the Franco-Belgian monetary system. It is rather complicated and inconsistent. In principle, it proclaims silver monometallism; in practice, it adopts bi-metallism, and very nearly gold monometallism. Is it advantageous?

II. **Controversy on the Double Standard.**—The system established by the Latin Union, though not pure bi-metallism, gave rise to the controversy about a double standard.

Should preference be given to monometallism or to bi-metallism? In other words, should both gold and silver, or only one of the two, be adopted as the official measure of value? The following is a short summary of the arguments put forward for each system.

First System—*Monometallism.* (Michel Chevalier, Leroy-Beaulieu, Baudrillart, Garnier, etc.)

(*a*) The standard, being a measure, ought to be single; it would be absurd to take two different measures, sometimes one and sometimes the other.

It must not be objected to this that bi-metallism, after all, only adopts a single composite measure, because the law fixes the relative value of the two

* These coins must therefore be accepted by the public banks of all these States; in other words, they form *legal tender*. But private people are not bound to accept any coins but the national ones:—it is these latter alone that have *enforced* currency, in every country.

metals. The value, in fact, is variable in its own nature; and consequently the legal relation is either fictitious or subject to endless variations.

(*b*) According to *Gresham's Law* the parallel circulation of depreciated and of standard money in any country is impossible: the bad coin will drive out the good. Now, let us suppose a country—*e.g.*, Belgium—where silver coins are of unrestricted legal tender, just when that metal is depreciated. The English would make their payments to this country in silver, and so would discharge their debts at a less real value; whilst the Belgian dealers would have to pay the English in gold, because in England that metal alone is used as a monetary standard. The depreciated money, then, would come into Belgium from all directions, whilst the gold would be sent away.

The consequence of this principle is that bi-metallism could not be practised in any country without first causing it considerable loss, because the bad metal would abound and replace the good; and without practically leading in the end to an alternative monometallism. The depreciated money, driving out the money at a premium, will become the only circulating metal, until, in consequence of oscillations in value, it attains a premium in its own turn.

Second System: *Bi-metallism.* (Périn de Lavelaye, Cauwes, Gide, Wolowski.)

(*a*) The simultaneous employment of gold and silver brings about what is called a *compensatory action.* When one metal falls, the other rises in relation to it The fluctuations in value will therefore be less felt than under the system of monometallism. Further, with only one metal, we are not protected against unexpected accidental falls:—an enforced suspension of the working of a mine, owing to a war—to an earthquake—etc.—would be enough to cause a metallic crisis. The bi-metallists would not feel the effects of this, having a second metal to resort to.

(*b*) The first argument put forward by the partisans

of monometallism is strongly contradicted by experience. The legal proportion of 1 to $15\frac{1}{2}$, fixed by the law of 1803, has not been sensibly affected by the growing real value of gold. Silver pieces have always continued, and continue still, to circulate easily, in spite of their fictitious value.

(*c*) Lastly, however the question may stand from the theoretical point of view, it would be practically impossible, say the bi-metallists, to withdraw silver from circulation. It has been calculated that such a measure would cost France more than a thousand millions.

Which is the right side to take in this debate?

Before replying, it is necessary to take into account the actual situation of the bi-metallist States, in relation to monometallist ones; and we shall find that the advantage lies entirely with the latter. The reasons alleged above are enough to prove this; and experience as well shows that the bi-metallist States have been obliged practically to renounce their system.

But the question may be looked at from a far higher point of view than the above. We have not merely to discover which is the most economical monetary system for any given country struggling with rivals; what we have specially to ask is which system would offer the greatest material advantages to *the whole of humanity*:— to all commercial nations that would come to an agreement on so important a question. There seems no doubt that, in the case of such a monetary union amongst the various countries, bi-metallism would be the best monetary system. But this much-to-be-desired monetary unification does not seem near realisation. The English and the Germans, in fact, show no desire to see it brought about. International conferences, assembled for this object, have not even succeeded in obtaining the acceptance of a uniform metric system, which must be the basis of any ulterior agreement.

CHAPTER II

Credit

Cf. the authors named at the beginning of this Part; Also:—

Antonin Rondelet, LE SPIRITUALISME EN ÉCONOMIE POLITIQUE, part ii.

Wolowski, LE CHANGE ET LA CIRCULATION. Paris, 1869.

Casasus Jaaquin, LES INSTITUTIONS DU CRÉDIT. Brussels, Societé Belge de librairie, 1900.

H. Lambrechts, LE CRÉDIT URBAIN, LE CRÉDIT RURAL. (*Revue Soc. Cath.*, 1898).

Waucquez, LE CRÉDIT AGRICOLE EN BELGIQUE. (*Revue des questions scientifiques*, 1899.)

Credit is an improved instrument of exchange, intended to take the place of money in cases where the latter cannot be used. It may be studied either in itself, or in its assistant institutions:—Banks.

ART. I

Credit in Itself

I. Credit in General.

I. **Theory.**—(*a*) The word *credit* comes from the Latin *credere* (*alicui*), to trust; credit therefore implies *confidence*. It takes two special forms:—the advance of capital placed at another person's disposal; and the grant of delay in fulfilling an obligation. Credit, then, may be defined as—

Confidence as to re-imbursement, either for an advance made, or for a payment postponed.

(*b*) This confidence, which is the essence of credit, must have a *foundation;* and this foundation comprises three elements:—

1. *The material element.* — This element is the fortune of the person trusted. It is essential for the lender, before he risks his money, to have sufficient knowledge of the satisfactory state of the borrower's affairs. Publicity as to commercial position and personal fortune will be of great use here, but in practice it cannot be fully obtained.

The material guarantee furnished by the borrower's possessions, if it is to be efficacious, ought to give the creditor power of "realising" it:—that is, a right to take the sum advanced from the goods of a debtor who will not pay. This right, for the good of society, should be regulated by legislation, which ought to take care not only that the creditor's rights are guaranteed, but that the safety and stability of inherited property are secured. Hence, in many cases, it ought to limit the exactions of creditors; and, as we have seen above several countries have passed laws on the legal immunity of landed property, wages, patrimony, etc.

2. *The moral element.*—This element consists in the moral qualities, and especially in the honesty, of the borrower; and through this element credit is allied to morality and religion. Credit pre-supposes confidence, and confidence rests upon uprightness; and where is uprightness found in its fullness? Can it be found where all high principle, all considerations of morality, are wanting?

In personal credit, the moral element plays the greatest part; and this is what accounts for its rapid development amongst rural populations, which are in the main so Christian.

3. *The intellectual element.*—In conjunction with the preceding, this element plays a considerable part. We

trust readily to talent and professional skill; but honesty must accompany these, and prevent them from embarking on dangerous speculations.

(c) Credit may be divided (1) according to the *basis* on which it rests—into *real* and *personal* credit.

Real credit assumes, as its chief guarantee, the material element:—personal or real property; in the latter case, it is also called mortgaging, or credit on basis of reality.

Personal credit rests chiefly on the moral and intellectual elements:—the honesty and skill of the borrower.

Credit may be divided (2) according to the *object* it has to serve, into

rural or *agricultural* credit, which concerns agricultural interests;

urban credit, which concerns the tradespeople, artisans, etc., of towns;

popular or *collective* credit, practised by co-operative societies.

And (3) credit may be *private* or *public*, according to whether the *guarantees* are provided by the Government or by individuals.

II. **Credit Securities.**—The confidence placed in a debtor by his creditor is often guaranteed, or expressed, by a deed, or writing, on presentation of which the debtor must pay: these are *credit-documents*.

These securities, or instruments of credit, are of *several sorts:* the chief are:—

(*a*) *The Bill of Exchange.*—This is a written order in the form of an open letter, which one person (the *drawer*) addresses to another (the *drawee*), desiring him to pay a certain sum to a third person (the *remitter* or *beneficiary*). Bills of Exchange, formerly, were only valid when the debtor and creditor lived in different places; but now they also apply to exchanges made in the same place and the same market.

A Bill of Exchange is employed as follows:—A person inhabiting Brussels has to pay a creditor in

Paris, in which town he also has a debtor. To avoid a double despatch of money, he writes to his debtor to pay direct to his creditor in Paris. But if the person living at Brussels has no debtor in Paris, but only a creditor, he may write and send the sum that he owes to a financier, who undertakes to pay the same sum for him in Paris; only, instead of sending the money, the latter writes to one of his correspondents in that city, and orders him to make the payment to the person named.

(*b*) *The Bill, or Note, to Bearer.* By this contract, the debtor undertakes to pay whatever person presents the bill; which, however, will only pass current in proportion to the confidence inspired by the signatory debtor. Bank-notes come under this head.

(*c*) *The Bill "to order,"* (also called "Bills at sight," and "promissory notes"). This is an obligation to pay a fixed sum at the order of another person. Here is an example of its use:—

A. acknowledges, by a Bill, that he owes B. £40, and promises to pay it at a date fixed, to B. "or to his order":—*i.e.*, to some third person to whom B. shall transfer the Bill. Thenceforth, the Bill may pass from hand to hand up to the date marked upon it when it falls due.

The *mode of working* these successive transfers is very simple. It is called *endorsing*, and consists in a simple declaration inscribed at the back of the security. The last bearer only presents himself to the debtor when the Bill falls due; and the latter, by paying the sum specified, cancels with one stroke all the successive debts contracted and guaranteed by this one Bill.

The Bill to Order—besides its rapid and easy circulation—has the advantage of increasing the fiduciary value of the paper as it gets transferred, because it adds the liability of all the subsequent endorsers, who become responsible for the payment, to that of the original subscriber.

(*d*) The *cheque* is a writing which, in the form of an order for payment, enables the *drawer* to take out—

either for his own benefit or for that of a third person—whatever available capital, or portion of capital, is lying to his credit with the *drawee*. A tradesman, or a private person, who wants to open an account by cheques in a bank, deposits money there, and receives a Pass-Book and a Cheque-Book. When the depositor wants to withdraw a portion of his money he fills up a cheque, tears it out of his book, and either receives or causes another to receive the sum named on it. The Pass-Book is used for keeping an account of all money deposited and withdrawn.

The origin of the cheque is very old, coming down from the Middle-Ages. In the sixteenth century, Thomas Gresham went to study its use at Antwerp, and took it over to England, where it is now more used than in any other country. The law of 20th June, 1873, systematised the practice in Belgium.

(*c*) *The warrant* is a paper testifying to the deposit of goods with a third person:—generally in docks, depôts, or general storehouses established for the purpose. This document may be transferred by way of endorsement, and empowers the owner of the goods to give it in pledge to those who advance cash to him. By this means he gets an immediate advantage and is spared the trouble of storing. The depositor receives two papers: a *receipt*, or *schedule*, representing the deed of ownership, as well as the instrument of credit called the *warrant*. When the trader wants to borrow on his goods, he transfers to the lender, by endorsement, the warrant separately from the receipt, and thus gives him a "right of pledge" on the goods.

When the trader wants to sell, he endorses both the papers for the purchaser—the schedule and the warrant—if his goods are not pledged. If his goods are pledged, he cannot transmit the schedule, or deed of ownership, except with reservation of the "right of pledge" represented by the warrant.

The warrant is regulated in Belgium by a law of 18th November, 1882.

III. **Economic Influence of Credit.**—(*a*) The *advantages* of the credit system are indisputable.

(1) Credit promotes production, by *preventing capital from lying idle.* It does not, clearly, create fresh capital, but it *multiplies its usefulness, power, and productiveness.*

(2) *Credit procures the necessary capital for entrepreneurs.*

To start an undertaking, to buy the machinery and the raw material and to make the necessary installations is an expensive matter. The entrepreneur has not usually a sufficient sum at his disposal to pay ready money, but he can pay after the sale of his industrial products. Now, it is just the use of credit—the trust that is felt in his skill and his honesty, that will enable him to get together the necessary capital.

(3) *Credit has another advantage, arising from the Paper mediums that represent it.*

These mediums, sometimes called "paper currency," and "commercial goods," *promote and quicken exchange,* and *economise money:* which, in fact, thanks to these Paper Contracts, we can dispense with altogether in many transactions. Also, this form of medium *loses none of its value by wasting in use;* it is *easily handled; its manufacture costs nothing;* and it can be *carried without expense* from one country to another.

(*b*) *Disadvantages.*

There is no instrument, however excellent, that cannot be abused: and credit is particularly exposed to abuses.

(1) In the first place, experience has shewn that "credit for consumption" is generally disastrous. By this is meant, credit granted by a lender to his client for the purchase of goods that cannot be used as means of fresh production. This form of credit usually ends in the ruin of property: the money-lender becomes gradually master of all the modest possessions of his clients.

(2) The ease of obtaining capital by means of credit multiplies dangerous speculations and risky undertakings: the clever in such matters knowing how to

extricate themselves in time, others are left to bear the deplorable consequences.

(3) Operations founded on credit are not the ideal form of production. The most desirable position is for capitalists to make their own capital re-produce itself by use: such a course makes the employment of capital much safer, more careful, and more steady and solid.

Such are the advantages and disadvantages of credit: the former evidently preponderate. What is bad in it is not the fault of the system itself, but of its abuses.

To obtain its full economic influence, credit ought to rest, on the one hand, on the virtues taught and practised by *Christianity:* honesty, faithfulness to engagements, moderation of desire. On the other hand it should be protected and limited by intelligent *legislation*, taking into account the rights of both creditors and debtors, as well as of the general interests of society as a whole.

2. Some Special Forms of Credit

I. Credit based on Personal or on Real Property.—(*a*) *Credit based on personal property.*—(1) One of the chief forms taken by this kind of credit may be that of the *mont-de-piété.* These monts-de-piété date from the middle-ages, but were only developed in the fifteenth century in Italy. Their origin is entirely Christian, their primary object having been to protect the people from Jewish usury. Leo X encouraged and approved the institution, which greatly helped its extension to other countries.

In the seventeenth century W. Coberger organised the system in Flanders.

The monte-de-piété makes loans on pledge, and its actual object even now is to do good; but it is only moderately useful. The rates of interest charged by these establishments rise as high as ten, twelve, and even fifteen per cent.; they show but little discrimination in the loans effected, and encourage work and

idleness equally. In Belgium, they come under regulations made by the law of 30th April, 1848.*

The *docks* or *general warehouses* are equally based on personal credit. We have already mentioned them in explaining the warrant or bill of pledge. A dealer pressed for money may circulate his warrant: the guarantee that he offers is the merchandise deposited in the docks or warehouses.

There are many other forms of lending on pledge, especially the numerous advances made by loan-institutions and banks, on deeds, bullion, and other securities deposited by the lender.

(*b*) *Credit or loans on real estates.*

This form of credit is *mortgaging*. To lend on mortgage is to lend on the security of specific property that remains not in the hands of the creditor but in that of the debtor. [*Devas*]

This is a very solid guarantee, but it is very difficult for the lender, if he is not paid, to realise. To effect this, he must proceed to compulsory dispossession, which is again followed by *judicial distribution of assets*, in the case of their being several creditors with a mortgage on the same estate. On the other hand, a borrower who wants to raise funds for agricultural improvements finds but little advantage in loans of this kind. The rate of interest required for them will easily equal, if not exceed, the interest that comes in from the improvements when carried out. In fact, everyone knows that income from land is generally less than income from personal property. Great efforts have been made to remedy this state of things.

As early as 1770, Frederic II, after the seven years' war, established institutions for *agricultural credit*, with the object of helping agricultural proprietors, especially the large owners, who were most affected by the results of the war. The particular advantage hoped for from these establishments was that of supplying their

[* A commercialised and de-christianised imitation of these monts-de-piété is the English "pawn-shops." *Trans.*]

members with loans at long date, to be re-paid in a gradual and imperceptible manner by yearly instalments. All the proprietors of a province were grouped in one of these institutions, and became joint guarantees for the loans effected in favour of any one amongst their number. Later on, these establishments were replaced by others, in order that the *middle* class—by far the largest—should share the benefits of these loans on estates.

In this last century (28th Feb. 1852), the French Government established an *agricultural credit society*. Many societies arose, which still remain; but their professed object—that of improving rural property—has not been realised.

In Belgium, M. Vliebergh and the Abbé Mellaerts, within the last few years, conceived the idea and the plan of a *rural* "Land-credit" system. Their object is to procure loans for agriculturists by means of the central Bank at Louvain. These loans are granted for a long term, on mortgages of rural property.* (*See* Vermeersch, *Man. Soc.*, 2nd Ed., p. 624.)

II. **Popular Credit: Urban and Rural.**—Popular credit presents a special difficulty. The material element, which makes the fortune of other forms of credit, enters into this only in a secondary way. On the other hand, the small tradespeople and artisans of towns, and the large clubs of agriculturists who possess but a few acres of land, are well worthy of attention. Numerous attempts have been made to found a form of credit for these classes, without getting them into debt, and without endangering the lenders.

* To ensure full security to the lenders, every detail of the mortgage system has been fixed by law; and the publication of claims, of the situation of each property, etc., has been established. The systems adopted are not everywhere the same. Two amongst them may be especially noted:—the system called *Germanic* (*Livres fonciers*, *Gründbuch*); and the one of *Torrens' Act*, first used in Australia and then introduced into *Tunisia*, in 1885. The special object of both (which have been much studied by economists) is to make loans on mortgage easily transferable.

The various institutions formed with this object have nearly all taken the form of Benefit Societies. Those most in vogue in Belgium may here be named.

(*a*) *Urban Credit*:—The institutions coming under this head are:—

(i) *Credit-Unions*. The aim of these is to obtain by discounting, for tradespeople, artisans, agriculturists—in short, for workers of all classes, within the limits of their material and moral solvency—the capital required by them. There are now seven or eight of these unions, which prosper fairly well, but are not of much use to small tradespeople.

(ii) *Popular Banks*. These, again, are societies for supplying their members with necessary capital; and are specially intended to help the lower middle-class townsfolk, retail dealers, and artisans. They act not only as loan institutions, but as Savings' Banks. They were started in Belgium in 1864, by M. d'Andrimont, and there are now about a score of them. No doubt they have advantages, but their high rate of interest keeps away just those whom they are intended to benefit.

(*b*) *Rural Credit*.—(i) *Reiffeissen Banks*.—The first Reiffeissen Banks were established in Belgium by the Abbé Mellaerts in 1892, at *Rillaer*; and by 1905 there were 439 flourishing establishments in the country, which were encouraged by legislation.

These banks are both co-operative loan societies and Savings' Banks. Their organisation, in accordance with Reiffeissen's idea, includes *local banks*, affiliated to a *central bank*. In Belgium, in order to enjoy the greater privileges granted by Government, a third element has been added:—the *concours de la Caisse Générale d'Epargne*.

The following are the chief characteristics of the Reiffeissen Banks:—

(1) The joint and *unlimited* responsibility of members for all the debts of the society. It is mainly this principle which brings credit to the banks, and ensures prudence in their operations.

(2) A restricted sphere of action:—*e.g.*, a Parish. By this means, the institution is placed within reach of all, and mistakes as to the solvency of clients are prevented.

(3) The exclusion of a usurious spirit, which prevents risky loans, speculations, etc.

These banks require no united capital established by shares in money; but as, in Belgium, the law exacts a minimum capital, it has been fixed at 21 *francs*. Advances are made to members only, and the borrower must state the destination of the funds required.

The rate of interest for advances made by the Reiffeissen Banks is always about 4 per cent, and the interest on deposits about 3 per cent.

These institutions are most advantageous for country places; and they would be still more so, if they were used as much for making advances as for Savings' Banks. Farmers are timid about applying for loans, being still dominated by a prejudiced idea that to borrow is to ruin one's business.

The general success obtained by the Reiffeissen institutions is due, in great part, to the Christian spirit that animates them, and the charity that forms one of their foundations. Hence, the priest naturally finds an appointed position in them:—not, of course, as responsible president or cashier, but as president of the "Council of Superintendence." In this way, he avoids the inconveniences that might result from a too direct or official interference, and at the same time keeps the bank faithful to the objects of its existence.

(ii) *Co-operative societies of the Schulze-Delitsch type.*

Schulze-Delitsch founded his first Loan-Banks about 1850. They differ in some respects from those of Reiffeissen.

He, like Reiffeissen, wished to have unlimited liability; but, unlike the latter, he exacted an initial capital, and in the case of advances a rate of interest high enough to allow the banks to realise some profit, and to pay dividends to members.

The aim of these societies is more purely economic, less generous, and less filled with a spirit of charity, than those instituted by Reiffeissen.

Schulze's Banks have hardly taken root at all in Belgium: there are only two or three of them; but they have prospered in Germany, side by side with the Reiffeissen ones. From Germany they have been transplanted into Italy, but have there undergone an important change, having in fact taken the form of "joint-stock societies" with *limited* liability.

ART. II

Banks: Aids to Credit

Cf. particularly on this matter:—

G. Courcelle-Seneuil, TRAITÉ DES OPÉRATIONS DE BANQUE. Paris, St Denis, 1864.

Victor Bonnet, LE CRÉDIT ET LES BANQUES D'ÉMISSION. Paris, 1875.

Bagehot, LOMBARD STREET, London. Kegan Paul, 1900.

Revue Sociale Catholique, 1899, April: p. 161, etc., (Art. by OTTET.)

Alph. Courtois, TRAITÉ DES OPÉRATIONS DE BOURSE ET DE CHANGE. Paris, 1867.

Goschen, THÉORIE DES CHANGES ÉTRANGERS, 15th Ed., London, Wilson & Co., 1892.

J. Ruotte, OPÉRATIONS ET TRAVAUX DE BANQUE. 4th Ed., Lyons, Storck et Cie., 1906.

L. Magné, DE L'IMPÉRIALISME FINANCIER. LES BANQUES ALLEMANDES. (*Courrier de la bourse et de la Banque*, 1904, No. 3739-3742.)

L'ÉVOLUTION DES BANQUES ALLEMANDES ET LA BANQUE BELGE. (*Belgique financière*, 1906, pp. 961-962.)

ÉTUDE SUR LA HAUTE BANQUE ANGLAISE. (*Chronique industrielle, Maritime et coloniale*, 1905, p. 27-30.)

Banks may be studied from two points of view: (1) general, as connected with Political Economy; and (2) special, entering into all the working details.

Banking existed in the times of the Greeks and Romans, but its operations were chiefly confined to trade in the precious metals. Hence, the bankers of those days were called by the Romans, *argentarii*. Later, towards the twelfth or thirteenth century, public banks made their appearance. It is believed that the first was established at Venice. Then, in 1407, one was founded in Genoa. Banks on improved systems, nearer to the modern type, were established successively in Amsterdam (1609), Hamburg (1619), Nuremberg (1621), Rotterdam (1635), Stockholm (1668), and London (1694).

Banks are either private institutions, or public organisations. We will here study the two forms, in turn.

I. Private Banks

Banks may be defined as: *establishments that undertake to concentrate and regulate commercial operations, especially those that depend upon credit.*

Credit, no doubt, can exist without banks; but it cannot do great service to commercial undertakings if it is not helped and, so to speak, directed by the latter. The enumeration of the principal banking operations will prove this assertion.

I. Deposits.—Individuals may deposit their securities, merely to be kept safely, at a banker's: this is the first form of deposit.

The second kind consists in entrusting funds to a bank in the form of a loan.

The bankers receive this money, generally pay interest for it, and make use of the sum received in deposit, for their own profit and at their own risk.

The very nature of this proceeding dictates his obligation to a banker. He must always be ready to meet the demand for re-payment; he must use prudence in placing the sums entrusted to him, and prefer the

safer to the more profitable investments, as he is dealing with other people's goods; he ought to pay his clients only a small interest; and it is even desirable, according to some economists, that he should pay none at all on deposits withdrawable at sight.

This last should seem an easy condition to fulfil; and yet it is certain that almost all private bankers give some interest. They are forced to this by competition; but the practice exposes them to the temptation of making hazardous investments, with the aim of reimbursing themselves for the interest paid to their clients.

II. **The Current Account.**—The deposits placed at a banker's often give rise to the opening of a current account. A trader, for instance, is in the habit of sending all his available money to a bank, and of then settling all his commercial business through the banker as his intermediary. A current account may be defined as:—*the whole of the transactions performed by the banker for his client, whether by expenditure or receipts.*

The banker merely makes a note of these various transactions; the account between him and his client will be settled at a fixed date. A current account may produce interest if both parties have made an agreement to that effect. In this case, the interest due on sums deposited by the client, or drawn out by him, can only be exacted at the time fixed upon for liquidation.

The current account is closely connected with the *cheque* and with the *Transfer of account*, which are the necessary means of avoiding the removal of cash. We have already mentioned the first. The second is a simple transfer of an account from one person to another, between clients of the same banker. The banker, in writing, carries the debtor and creditor account of one client to the account of the other. The cheque and the "transfer" lead us to speak of clearing.

III. **Clearing.**—This is in fact an improved form of transfer, specially in vogue in the United States and in England. The "clearing" is done in a central place

of liquidation, called the *clearing-house*, the type of which is the one in *London*. The London bankers form an association, for the purpose of a daily liquidation of their respective accounts, by means of written orders. Each London banking-house has its desk there, and is represented by a clerk. At each counter is a box, in which the clerks from all the other banks place notes of the bills due to them by the banker represented, which amounts are added up after examination. The balance, at this great Clearing-house, is not paid in currency, but in cheques on the Bank of England, where all the other bankers keep an account. Provincial banks keep up a correspondence with the town bankers, who manage their affairs for them. "In the great London clearing-house, debts to the value of from five to six thousand million pounds are thus settled every year, without a single sovereign being used." [*Deras.*]

In the United States there are about fifty clearing-houses. In some continental countries—France, Germany, and Italy—this institution (called *Chambre de Compensation*) also exists, but is of much less importance.

IV. **Discounting.**—Discounting is one of the commonest and most important of banking operations. *It consists in accepting commercial bills, such as bills of exchange, or bills "to order," before they fall due, and paying their amount to bearer, less a certain deduction called discount.*

Banks have to be very careful as to what bills they discount, and to enquire into the solvency of the bearers, the time when the bill falls due, and the economic character and solidity of the deposits offered. All these considerations help to determine the rate of discount charged. The fixing of this rate is, clearly, one of the most delicate points in the administration of a bank, and one that may have a most beneficial, or a disastrous, effect on the trade of a country and on the prosperity or the very existence of the bank itself.

The discounted bills do not always remain till they fall due in the banker's hands. He can get them re-

discounted, in his turn, by one of his colleagues. This re-discounting is largely practised by certain banks. Thus, the Bank of France receives, from private banks, an immense number of bills to discount, a few days only before they become due. In this way, private bankers are saved the worry and expense of presenting the bills at the debtor's place of residence; but, as a set-off to this, they have to pay the bank a certain interest, calculated by the times for which the bills have still to run.

V. **Exchange.**—(*a*) *Definition.*—*Exchange* is a *bilateral contract, by which one of the contracting parties receives goods in one place, and undertakes to give their equivalent in another place, either directly to the other contracting party, or to a third person named.*

The ordinary instrument of this contract is a *draft*, or a *bill of exchange.**

Bankers offer themselves as intermediate agents for these contracts, to settle both home and foreign exchanges, either between one place and another or one country and another. For instance, a Brussels banker buys drafts, or bills of exchange, payable in London; he sends these to his London creditors, who receive the amount they represent and consider themselves paid; thus, he has had the payment of his drafts and has paid his London creditors, without any conveyance of cash, a process which is always expensive.

(*b*) *Rate of Exchange.*—The operation of exchanges would be very simple, if the reciprocal debts of the two places concerned—*e.g.*, of Brussels and London—always exactly counter-balanced each other, as then the exchange would always be *at par*. But this is rarely the case. If Brussels owes London more than London owes Brussels, the drafts on London will be too few in Brussels. Now, it is advantageous to pay by draft, so

* The delivery of a postal order, or voucher, payable in a different place from the one where it was sent, is a true exchange-contract, without the intervention of a bill-of-exchange. But we are speaking here only of the *ordinary* instrument.

as to avoid the expense of conveying cash; therefore, the Brussels bankers will try to get hold of all existing drafts. The latter, being rare and much sought for, will rise in price, and the bankers will have to pay more for them.* In this case, it is said that the exchange is unfavourable to them, or *above par*. In the contrary case, the exchange is called *below par*.

The chief cause† of the oscillations of exchange between "above and below par," is therefore the incessantly varying relation of the mutual debts between any two cities, or above all between any two countries; in other words, the constantly changing ratio of imports and exports, which constitutes the *Balance of Trade*.‡

Such are the chief operations undertaken by banks. Several more might be discussed, such as speculations on the Stock exchange, the issue of loans, trading in

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* This rise will only stop when it becomes of advantage to the debtors to send cash:—*e.g.*, gold. The English call this point of toppage *specie point*.

† Inequality of debts does not always create a necessity for paying in specie, and consequently does not always cause a rise in the exchange-rate. If Brussels, *e.g.*, has not got enough drafts on London, but has many on Paris, the Brussels bankers buy up those on Paris, and order a correspondent to buy London drafts. This combination is called *indirect exchange*, or *arbitrage*. It is plain that great sagacity, and great sureness and promptitude in decision, are needed for understanding how to profit by these differences of exchange in the counting-houses of Europe, America, and China, before these various market rates can be balanced. In default of arbitrage, bankers—to avoid payments in specie—may have recourse to international securities. The latter consist of "public securities;" or Government debts, railway shares and debentures, etc., etc., such as are accepted in all countries. Bankers send these to their creditors, and thus cancel their debts without any exportation of cash.

‡ *Par* itself is not always easy to fix.

To begin with, there is the difficulty arising from the different monetary units adopted in different countries; then, there is that caused by the changing value of the precious metals; lastly, account has to be taken of the more or less considerable depreciation of the paper currency used in some States.

bullion, issue of bank-notes. This last banking transaction belongs more naturally to section two.

II. Public Banks

I. **Economic Function.**—(*a*) Theory.—Public Banks are *those established and administered by Government, or at least placed under its control; to which, in almost every State, the privilege of issuing bank-notes is confined.*

The bank-note is a representative sign of money. It is signed by the delegates of the bank, and constitutes a promise to the bearer, payable at sight by the bank that has issued it.

(*b*) Economic Advantages of Bank-Notes. Notes, "to order," as we have seen above, are very valuable for rapid circulation; bank-notes, however, have great advantages over them, as the following comparisons will show:—

The bank-note is transferred without formalities; drafts to order must be endorsed at each transfer.

The bank-note is always good; other documents are subject to question.

The bank-note is payable at sight; bills to order only when they fall due.

The bank-note commands everyone's confidence since it is issued by a universally recognised bank, whereas bills of exchange are endorsed by people known only to a few.

(*c*) Conditions. The enormous influence exercised on commerce by bank-notes presupposes certain conditions: *—

(i) *Guarantees for security.* The note has no intrinsic value, and is accepted in transactions only because

* The office of public banks is not limited to issuing bank-notes, but extends to almost all the operations performed by private banks. Some of these operations, however, are forbidden to them in most countries, such as speculation properly so called, the direction of industrial undertakings, etc. Others—such as discounting, making advances, etc.,—are allowed to them only in a restricted form.

guarantees are taken for granted. The latter are of two kinds :—*cash reserve*, and *Paper Securities*.

The Cash-reserve consists of the amount of precious metal immediately at disposal.

The Paper Securities consist of "commercial paper," and other securities on which advances are made. Most of these Papers can be realized only on the day they fall due, which diminishes their usefulness.

Besides these two guarantees, which are fundamental, another one has been devised, the employment of which cannot be reduced to rule, but which is nevertheless a happy expedient under difficult circumstances. This is the plan of *foreign securities*, frequently in use by the Belgian National Bank. It comprises *drafts* on foreign firms. These drafts, according to an agreement made with foreign firms, are payable in gold, on demand by the Bank. This formal guarantee for payment in gold is relied upon for counting the commercial papers that form the *foreign securities*, as part of the *cash-reserve*.

(ii) *Limitation of issue.* To be solid, these guarantees should be able to cover all liabilities at sight : *i.e.*, they should be sufficient to change the notes whenever presented. It therefore follows :—

(1) That the Paper Securities, without cash-reserve, would be an illusory guarantee, because the amount of most commercial bills can only be got in on the day they fall due, whereas notes may be presented every day for exchange. Therefore, *the opinion of the inflationists* (*i.e.*, those who see nothing but advantage in an increase of issue) *is false and economically dangerous.*

(2) It follows that the metallic reserve need not equal all the bank-notes issued. The reason of this is that, in the ordinary course of things, not all the bank-notes will be presented at once ; and, as the bill of exchange falls due in turn, the till gets filled up as fast as it is emptied. Therefore, *the opinion of the "pure bullionists" who would restrict the circulation of bank-notes to the exact amount of the metallic reserve, is inadmissable.*

(3) It follows that, *in practice*, it is impossible to fix an invariable proportion between the reserve and the notes in circulation. A number of special circumstances have to be taken into account:—unforeseen factors may call for an extension or a limitation of either the reserve or the notes issued. England wished to fix a rather low limit of issue, but the law has had to be repeatedly suspended; and in 1890 the bank was obliged to have recourse to borrowing for setting itself right. France fixed a very high maximum of issue; in 1893, when she almost reached this limit, she hastily drew back.

Defenders of the currency principle who wish to put a legal and inflexible limit to the circulation of notes run the risk, in the name of prudence, of arbitrarily—and sometimes dangerously—diminishing the services that may be rendered by the bank, through an organised system of credit.

(4) It follows, finally, that as a general rule the limit to the issue of notes *should rather be determined by circumstances.* This is the application of what is called the *Banking Principle.* Amongst these circumstances, the chief one is the condition of the market, and the state of exports and imports, or the *commercial balance.* This state of things is accurately described as the *variation of exchange.*

If exchange is adverse, exportable cash is needed for paying foreign debts, and demands for the cashing of notes will flow in to the bank. Then, the bank's reserve diminishing, the issue of notes will have to be diminished in proportion. If, on the contrary, exchange is favourable, it is a sign that bills of exchange on other countries are abundant. The debts to foreigners may then be paid without displacement of cash: consequently, the metallic reserve of the country will not be encroached upon, and the issue of notes need not be stopped.

To follow the state of the Exchanges, in extending or restricting the issue of notes, is therefore the chief rule to be followed by the bank in order not to compromise its own existence and the security of circulation. But, the

unforeseen may happen :—an internal crisis, or a sudden withdrawal of cash. In such a case, the bank, to safeguard its reserves, may fall back upon the expedient of *raising the rate of discount*. This is a strong measure and always efficacious, but is much criticised.* The great banks, however, frequently resort to it nowadays.

The reason for the efficaciousness of this measure is very simple. To raise the rate of discount means to lessen, or stop, recourse to the credit of the bank, since it makes this credit more expensive. It means also to prevent the withdrawal of cash ; to compel debtors to settle their liabilities—even, if needful, at a loss ; and lastly, to encourage, by a rise in interest, remittals to the bank of available capital.

(iii) *Absence of forced currency.* Governments, in order to meet extreme needs—*e.g.*, in time of war—readily turn to the easy terms of *paper currency*.

The ordinary means † of making paper-currency is to give forced circulation to bank-notes, the bank itself making advances to the public treasury.

A note has *forced* circulation where, in addition to the obligation laid on the public of accepting it as legal tender, a bank is dispensed from the obligation of changing it for *cash*.

Paper-currency, therefore, has no intrinsic value, and it is easy to understand what disadvantages enforced currency brings with it.‡

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* We cannot enter in detail, here, into the arguments brought forward for and against the economic value of raising the rate of discount. *See*, on this matter, the *Memorandum*, by M. Juglar on Commercial crises.

† Governments may also issue paper-currency directly.

‡ Paper-currency is sometimes an inevitable necessity, and almost all Governments have to submit to the need of issuing it in extraordinary cases. Its chief disadvantage—which results from "Gresham's law," already referred to—is that of driving metal out of a country, and leaving only the depreciated paper. ["Paper-money," according to *Devas*, "is an incorrect term in English : it should always be *paper-currency*." *See* his observations on the subject, *Political Economy*, p. 313. *Trans.*]

Moreover, the mere fear that government may be tempted, during a period of difficulty, to transform bank-notes into paper-currency, is enough in itself partially to depreciate the notes. These, then, can exercise their function as one of the best instruments of exchange only if all apprehension on this score is absent.

II. **Regulation of Banks of Issue.**—*To whom ought the right of issuing notes to be granted?* Can all banks equally claim this right, or should it be reserved for some privileged establishment?

This question is closely connected with the one just discussed:—the limitation of the issue of notes. Nevertheless, the two systems are not to be confounded; for, whatever system authors may adopt as to the right, all—at least in our own day—admit that there should be some limit to the issue.

Three systems are before us.

(*a*) *First System.*—(*See*, for this plan, Michel Chevalier. Baudrillart, Courcelle-Seneuil). It is adopted in Scotland, the United States, etc.

The issue of Notes is a right that should be guaranteed to all banks. Government, in this matter as in all others, has only the right of supervision, in the interest of the public good.

Such is the theory; but, in practice, the governments of these countries have thought that they could, and ought to, restrict this right:—either directly, as Scotland did in 1845, for all new banks; or indirectly like the United States, which compelled all banks, by the laws of 1863, '74, and '75, to deposit a guarantee-fund in the general treasury.

(*b*) *Second System.*—England, Italy, Sweden, and Germany, in principle, confine the issue of bank-notes to a single National Bank. Nevertheless, in practice, some other banks share the privilege, but under certain conditions, which vary according to the country. In Germany, the National Bank can circulate its notes throughout the Empire, whilst other banks can only do

so within the limits of the State in which they are established.

In England, the privilege of issuing notes is shared with the Bank of England only by such banks as were already in existence by 1844-45, at which date the Government confined the right to the Bank of England.

(c) *Third System.*—In France, Belgium, Austria, Holland, Portugal, and Russia, the privilege of issuing notes is confined to a single National Bank. This bank may form a State establishment, as in Russia; or it may be in the hands of a private association, but under supervision of the Government and under the direction of officials named thereby.

To judge of the advantages that any one of these systems may have over the others, we must enquire :—

(1) Which of them gives, on the one hand, most *extension*, and, on the other, most *unity*, to the circulation of paper-currency.

(2) Which of them offers the best *guarantee*.

It would seem that both a certain guarantee, and unity of circulation, are best obtained by State monopoly, but that credit is more easily extended by liberty of issue. Consequently, no system deserves absolute preference. This is all the more true because other financial questions—political and economic—come in to complicate the problem, as soon as it has to be practically solved and the solution applied to any individual country.

CHAPTER III

On International Trade

Cf. specially on this subject:

Adam Smith, ENQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS. Oxford. Ed. Thorold Rogers, 1869.

Franconnier, PROTECTION ET LIBRE-ÉCHANGE.

De Broglie, LE LIBRE-ÉCHANGE ET L'IMPÔT.

Cauwès, COURS D'ÉCON. POLITIQUE, 2nd Ed. Paris, Larose et Forcel, 1882.

Gide, PRINCIPES D'ÉCON. POLIT., 10th Ed. Paris, Larose et Tenin.

Devas, POLITICAL ECONOMY, Bk. II., ch. V.

The question that we have now to treat constitutes one of the gravest problems of Political Economy. Should nations be allowed to trade freely amongst themselves? What restrictions is it well to place on this freedom of commerce? Several systems have been followed up to the present time, such as the *Mercantile System*, *Colbertism*, *Customs' Union*, *Free-Trade*, and *Protection*. The two last, above all, are at present the subjects of wide-spread discussion.

ART. I

Free-Trade and Protection

The system of Free-Trade consists in granting to individuals of the same nationality, or of different

nationalities, the right of unrestricted trading with one another.

The system of protection, on the contrary, puts certain limits to liberty in our commercial relations with other countries, for the purpose of defending or developing the national trade.

Which system is it best to adopt?

Before replying, we must take note that the question here raised is connected with the much broader one that was discussed in the first part of this manual: that of the three Schools of Political Economy.

Must we adhere to Economic Liberalism? Must we expect everything from State intervention? Or is there a *via media?*

The answer already given to these questions furnishes us with a principle for guidance in solving the one now before us. The proofs of that principle have been already set forth; all that we need do here is to re-state it, and draw our conclusions from it. *Protective State intervention is lawful, when, and only in as far as, it is demanded for the general good.*

(1) One of the first conclusions from this is *the falseness of absolute free-trade.*

The fundamental argument upon which the principle of pure free-trade rests is that unlimited economic liberty is an inalienable property of human nature. This we have refuted above.

Other arguments for it are secondary, and merely set forth the great advantages of free-trade; *e.g.*, the cheapness of products; the specialisation of particular countries in certain kinds of production; the happy development amongst nations of concord, as a prelude to the political unity of the whole world.

Many of these advantages are real, and condemnatory of unrestricted Protection; others are exaggerated, or neutralized by serious disadvantages; and all, in many cases, must give way to considerations of general interest. Hervé-Bazin (*Traité elementaire*, p. 366) thus enumerates the chief circumstances in which the public

good makes it a duty for the State to restrict the liberty of international trade. "Above all it is when the preservation and existence of society are at stake: when a nation, having special aptitudes for a certain kind of production, has been surpassed in such an industry by other nations; when national industries have existed for a long time under a protective *régime*, and there is question of establishing an intermediary régime: when international equilibrium has to be maintained: and when we have to take reciprocal measures as regards a foreign country."

(2) Another conclusion from the same principle is *the inadmissibility of absolute protection.* Commerce is an act of man's free energy; the State can only intervene to help it. To restrict the freedom of international exchanges by law, when the good of the nation does not demand it, is to abuse authority.

(3) From the same principle may be deduced the *middle way* that commercial politics should take between pure free-trade and absolute protection. The degrees here are numerous, and we can only point them out broadly.

(*a*) Authority must reckon the lawful degree of intervention according to *the true interest of the members of the community considered in itself.* Hence, it is necessary not to confound the advantages of certain traders with the general profit; not to impose upon the masses a sacrifice so great, that it would counteract the very benefit which it was meant to procure for them; not to let the charges, imposed by all protective intervention, affect objects of primary necessity:—such as certain food commodities, the taxing of which must seriously injure consumers of the smallest means; and not to encourage carelessness and mere routine in any industry, on the pretext of saving it from ruinous competition.

(*b*) Account must also be taken of the economic welfare of the nation, not only as considered in itself, but *in its relation to other countries.*

It is well to have a more Protective system when a

country is only beginning its industrial education; when it still lacks sap and vigour, and has to struggle with powerful rivals. The truth of this consideration has been proved by history. As long as *England* did not feel strong enough to contend successfully with foreign industries, she was strongly protectionist. Now again, for some years past, a reaction against free-trade has arisen in that country, aroused by the Customs' policy of other nations, especially of the United States. Further, the *English Colonies* live under a protective system.

Germany, since 1880, has resolutely followed the way of Protection, the reason for which course was energetically expressed by Bismarck, who said: "It is better to change than to perish."

France hesitated long before concluding, in 1860, her treaty with England, which inaugurated a relative system of free-trade. Twenty years were enough to show her that she had taken a false step; and by 1881 reaction had brought about a notable increase in the tariffs on industrial products. The reaction was accentuated in 1885 and '87; and ended, in '92, by a complete return to Protection, thanks to the system of the "double tariff."*

Lastly, it is undeniable that the economic policy inaugurated by *Colbert* in France, and by *Cromwell* in England, had a powerful influence over the prosperity, and the future of trade, in those two countries. Now, this policy was distinctly protectionist. Colbert's system consisted in reducing the custom duties on raw material necessary for French industries; in discouraging, by raising the custom duties, foreign industrial products; and, contrariwise, in encouraging the importation of cereals and discouraging their exportation.

The system inaugurated by Cromwell had for its

* The double tariff is the general, or *maximum*, tariff, applicable in the absence of any other regulation; and the special, or *minimum* tariff, regulated "by favour," and granted to countries that allow corresponding advantages.

object to reserve the trade of the English Colonies for England (*Navigation Act*, 1651, and that of 1661, passed by Charles II); to forbid certain industries in the Colonies, such as the manufacture of steel and the rolling of iron; and to encourage certain others, in the interests of the mother country, such as the production of hemp, flax, indigo, and naval provisions.

This policy of Colbert and Cromwell has been severely criticised by the free-traders; but it would have been less so, had they looked at things from the right point of view, and taken into account the surroundings, the state of trade, and the financial, economic, and political condition, of the two countries.

(*c*) Lastly, we must take into account *the political position of a country* towards other nations, if we would know whether it is expedient to adopt the protectionist course. We may see how this mode of settling the question has worked by an instance near at hand. Can *Belgium*, surrounded by great countries and living on foreign markets, establish a severe protective system for herself, which would provoke reprisals on the part of other nations? We may go farther: other countries put custom duties on Belgian products; can she take reciprocal measures, to the same degree? Reprisals, in such a case, constitute a political as well as an economic measure. Hence, before making use of them, we must examine the question from this double point of view.

Now, if Belgium was rather favourable to the protective system from the time of her independence up to about 1856, from that time onward she has leant more towards a moderate free-trade. This tendency has appeared in the legislative acts of 1861 (1st May), 1865 (14th August), 1866 (30th March), and 1873 (4th Jan.). The protective rights that have been granted, since 1884, to agriculture, do not mean any serious backward step in the progress toward free-trade.

ART. II

Customs

I. **Theory.**—"Customs" are the practical application of the protective system. The practice may be defined as: *an organisation appointed to collect duty, at the frontiers, on goods entering or going out; and to take care that no prohibited exports or imports are allowed to pass.*

Customs form an *indirect tax*, levied on foreign trade, and are a *protective instrument* for national industries.

These taxes, or "custom duties," are divided into *ad valorem* duties, proportionate to the value of the goods, and *specific* duties, determined by their kind and weight. The former are most consistent with justice, but the value is difficult to ascertain; frauds are here very easy, and the difficulty of collection extreme.*

II. **Custom House Legislation.**—(*a*) This is founded either on *general* tariffs: *i.e.*, tariffs of common *law* which, in default of particular treaties, fix the conditions of exchange with all other nations; or on *conventional* tariffs established between two nations by a commercial treaty. By these, the two contracting parties mutually agree upon diminution of taxes on certain goods.

(*b*) Economists are not agreed as to the *utility* of conventional tariffs or commercial treaties.

Making a commercial treaty, they say, is binding oneself for several years, and refusing protection for an industry which, though flourishing to-day, may decline to-morrow; it is depriving oneself of the power to revise or rectify tariffs in case of a mistake; and it is giving up a powerful means of providing, by custom duties, for urgent financial needs.

In answer to this, it is said that commercial treaties are indispensable for giving security to international

* The Belgian law of 16th June, 1905, authorises the Government to convert the *ad valorem* duties into equivalent specific duties.

transactions. In the absence of such treaties, neighbouring countries may suddenly raise their tariffs; and the fear of such a measure is enough to crush all commercial energy, and to put an end to all considerable or regular exportation to such countries. A further answer given is that commercial treaties are necessary for giving some stability to custom duties, by saving them from being constantly altered and to ensure reciprocal advantages. Lastly, commercial treaties contribute not a little to keeping up peaceful relations, and defending wars.

(c) Amongst economists favourable to commercial treaties, all are not equally so. *The most-favoured-nation clause* which has been inserted in several of these treaties, *is especially the subject of hot controversy.* This clause stipulates that the two contracting nations grant each other, beforehand, whatever advantages they may subsequently grant to other nations. Thus, if Belgium makes an agreement with England, inserting this clause, and then concludes a treaty with France, granting the latter favours that have been refused to England, England at once has the same claim as France to the enjoyment of them.

The *partisans* of this clause—for the most part free-traders—see in it an excellent means of imperceptibly suppressing custom duties, and so arriving at international free-trade. This clause, moreover, unifies commercial treaties in such a way that in the end there would be, so to speak, but one single treaty amongst all the contracting nations; and such a unification is a powerful guarantee for international peace. In short, the clause is necessary; if it is not introduced, the advantageous conclusion of a treaty is impossible. If Belgium, for instance, did not insert it into her commercial treaty with England, the advantage that she expected from the agreement would disappear the moment that England concluded a more favourable treaty, concerning the same products, with some other nations.

Most economists, however, are agreed in *rejecting* the

"most-favoured-nation clause," on the ground that it destroys all stability in commercial relations, and makes the concluding of a rational treaty impossible. Such a treaty ought to take account of the economic disagreements existing between nations, of the competition that may be set up by other countries against certain national industries, etc., etc. Now, the clause in question enforces neglect of these considerations, as it grants, *a priori*, the same advantages to all the peoples with whom one may have commercial relations.

Therefore, instead of introducing this clause, it is most necessary to do the opposite :—*i.e.*, reciprocally to prohibit the granting, to other nations, of any greater advantages than those agreed upon in the treaty.

III. **Various protective duties.**—General and conventional tariffs are applied by *various protective duties*, of which we will here enumerate the chief ones.

(*a*) *Import duties.*—These are put upon foreign products, on entering a country.

(*b*) *Export duties*, put upon certain objects, especially on raw materials, on leaving the country. The object of this duty is to encourage national industry by ensuring for it what may be called a compulsory supply of material for working upon.

(*c*) *Bounties on exporting.*—These are a kind of reward to traders who encourage national production by making considerable exports. These bounties are also intended to make access to external markets easier. They are now almost universally abolished.

(*d*) "*Drawbacks.*"—This is the re-payment, on the sending out of a finished product, of the custom duty paid for the entry of the raw material for such product. It assumes that materials are imported into a country, there to receive their shape, and are then exported.

"Drawbacks" are subject to great difficulties, and give rise to numerous frauds. France, which had adopted them, suppressed them almost entirely in 1892. To escape their disadvantages, a system has been invented called *temporary admission*. This is a right

given to every trader to bring in foreign merchandise freely, on undertaking to pay the duties, with certain delays and on certain conditions, if the goods are not afterwards exported.

(*e*) *Surcharges of warehousing ports.*—These surcharges are duties laid upon goods which, before importation, have remained in foreign warehousing ports.

Warehousing ports, or *docks*, are stores kept by the custom houses, where goods from other countries are deposited, so as not to pay duty until the moment of re-exportation, or of delivery to consumers; such are those of *Antwerp*, *Hamburg*, *London*, etc. Now, it is to the interest of countries that have no considerable docks of this kind—such as France—that goods should not be kept in foreign warehouses; and, to encourage traders to carry their merchandise direct to its destination, they impose these *warehousing surcharges*..

(*f*) *Surcharges on the Flag.* — These surcharges, formerly much in use (Cromwell's *Navigation Act* of 1651), are imposed on goods entering a port under a foreign flag.

(*g*) *Bounties on armament and navigation.*—These are paid by the State to shipbuilders, with a view to encouraging the merchant service, when they build or fit out a ship.

PART IV

Distribution of Wealth

PRELIMINARY REMARKS

(A) The beginning—the *principle*—the point of departure, of all economic operations, is the *production* of wealth, either directly, or indirectly by means of exchange.

The term—the *end*—of them is the *consumption* of wealth.

But in order that the wealth produced may be consumed, it must be *divided*, or distributed. The distribution of wealth, then, holds the *middle place* in economic operations, joining the two extremes. Without it, consumption is impossible and production aimless.

(B) Division is the apportioning of wealth produced to those who have taken part in its production.

Now, people may contribute to the work of production directly or indirectly.

(i) *Indirectly.*—All the members of a society who help towards its security, its artistic, moral, and scientific formation, or its political activity, contribute to its economic prosperity. Without their services :—without army, magistracy, police, etc. :—the production of wealth would be impossible. Justice demands, therefore, that they should be remunerated for their services to society. As these services are public, the remuneration should be made *by authority*, and should

be levied upon *the whole mass of wealth*, by means of taxes. We shall treat of taxes in Part V of this book.

(ii) *Directly.*—Three factors generally contribute to the direct production of wealth:—*capital*, *nature*, and *labour*. (See Part II.)

I. *Labour* includes *invention*, *direction*, and *execution*. (*a*) The *labours of invention* are rewarded by the honour that learned men derive from their discoveries. If they get any profits from the industrial application of their ideas, it is rather in the character of entrepreneurs than of inventors. Hence, in the division of wealth *we are not concerned with the share that falls to inventors.*

(*b*) *Labours of direction* belong to captains of industry, masters, or entrepreneurs. Their share in the division of wealth is called *profit.*

(*c*) The *Labours of execution* are the acts of the workman. He has a right to *wages.*

II. *Nature.*—The owner of nature—*i.e.*, of the soil—should have a share in the wealth produced with the assistance of his land. This share is *rent.*

III. The *capital* employed in an undertaking demands *interest* or *hire.*

The present Part, then, will treat, in:—

Chapter I, of *Wages*, the workman's share.

Chapter II, of *Interest and hire*, the share of capital.

Chapter III, of *Rent*, the proprietor's share; and in

Chapter IV, of *Profit*, the master's share.

To these we shall add a

Chapter V, on *Population — Emigration — Colonisation.*

In this last chapter we shall enquire whether the laws that govern the distribution of wealth are modified by an incessant increase of population, and whether the theories put forth by Malthus on this subject are based upon realities, and deserving of the economist's attention.

CHAPTER I

Wages

The labourer works: he has therefore a right to corresponding wages. These wages will enable him to live, and make him fit to aim at his last end. This is the theory of wages in its full simplicity. The liberal school has adapted it to its own principle of "absolute liberty":—"Let each workman make whatever contract he pleases, with liberty to agree for his own wages; and the best possible economic system, for the wage-earning class, will spontaneously establish itself."

Nowhere has the utter incompetence of the liberal doctrines to solve the social question been more clearly proved than in this case. Facts have taught us that individual liberty, left to itself, is not sufficient for ensuring a suitable living to the wage-earning class. Here, more than anywhere, we must resort to co-operation, legislation, and the higher principles of religion. This chapter, therefore, divides naturally into two parts:—

Art. I. *Wages in Themselves.*
Art. II. *Various Institutions.*

We shall group, in this latter article, the different means of providence, help, and protection that have been established in these latter days for improving the material condition of the workman.

ART. I

Wages in Themselves

Cf. on this subject :—

Leo XIII, RERUM NOVARUM.

Antoine, COURS D'ÉCON. SOC., ch. xviii and xix.

V. Brants, GRANDES LIGNES, bk. iii, head ii, ch. iii.

Hervé-Bazin, TRAITÉ ÉLÉMENTAIRE, part iv, ch. ii and iii.

Beauregard, ESSAI SUR LA THÉORIE DU SALAIRE. Paris, Larose et Forcel, 1887.

Ch. Devas, POLITICAL ECONOMY, bk. iii, ch. iv. *Wages.*

Ch. Périn, RICHESSES DANS LES SOC. CHRÉT., bk. v, ch. iii and iv.

R. Merlin, LE CONTRAT DE TRAVAIL, LES SALAIRES, LA PARTICIPATION AUX BÉNÉFICES. Paris, Alcan, 1907.

I. Theory.

I. **Definition.**—*Wages are the price of work done by the employed in favour of the employer.* The master and the workman regulate this remuneration by a hiring-contract as regards service to be performed.

To understand the real tenor of this definition, we must bear in mind the theory of labour :—*i.e.*, that it is the result of *a moral and intelligent muscular effort*, applied to a useful end.

Labour, then, provides the employer with a *material utility*, and puts at his service a *human force*. These two elements are practically inseparable. Therefore labour necessarily bears the stamp of human personality, and is consequently never to be likened to merchandise.

It is necessary, here, to take note of the following principle (from which everything that we have to say in the following article is deduced) :—since labour is not merchandise, a wages-contract cannot be compared to a sale-contract, or to the hiring of a *thing*. It is none the less true, however, that labour—being a personal economic good—has a genuine value, capable of forming

the matter, not of course of a real, but of a *virtual*, exchange. Consequently, a labour-contract is subject to the rules of commercial justice.

II. **Forms of Wages.**—(*a*) *Time-wages and piece-wages.*—Time-wages are paid in fixed proportion to the number of days or hours of work.

Piece-wages are paid according to the amount of work performed by the labourer. This last kind of wages may enable the labourer to earn more in a given time, and leave him more initiative; also, it does not expose the master to deception, and gives him better products; but, on the other hand, it has the great disadvantage of exposing the labourer to over-work, and of making him neglect finish and detail in his work.*

(*b*) *Excess-wages and Bonuses.* An *excess wage* is an addition granted by the employer in return for things produced over and above the ordinary rate of production. This excess may consist in either the quantity produced or the quality of the product.

A *bonus* is an interest earned by a workman who reduces the waste of raw material and the expenses of motor power and repairs, to a minimum.

These two forms of wages are favourable both to the workman, whom they inspire with a sense of economy and respect for the interests of the business, and to the employer, whose working expenses they diminish.

(*c*) *Nominal and real wages.*—Real wages consist in the number of useful objects that the workman can procure for himself with the money given to him as the price of his labour.

The nominal wages are merely the sum of money agreed upon between the employer and the employed.

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* *Piece-work* often leads to *contracting*, especially in a large business. The man who undertakes the work, in this case, frequently gives out part of it to job-workers. He thus becomes himself an employer (a "middle-man"), and the bargain he makes is called a *sub-contract*. Contracting, though lawful in itself, is easily open to abuse. The sub-contractor is often tempted to over-work his workers, and to hire, by preference, the most needy people, paying them only a trifling wage.

We are not, here, to take into acount the higher or lower prices of the objects that the workman has to buy with his wages.

This simple distinction shows how easy it is to be mistaken in fixing the exact amount of wages.

In the sixteenth century, ordinary wages were about 3d. or 4d. a day, but corn, bread, eggs, etc., were sold at an absurdly low price.

In the United States, at the present time, wages are very high, but commodities are very dear.

To gain an exact idea of real wages, we must even take into account the *subjective* character of the workers. The habits and physical constitution of men are modified by climate, and cause considerable variety in the sum of things necessary to life. The minimum for subsistence is not the same for the Anglo-Saxon and the Chinese: the former would try in vain to imitate the frugality of the latter.

(*d*) *Wages in kind and wages in money.*—To pay wages "in kind" is to provide the worker with various objects of consumption, whose price is carried to the account of the wages.

This practice has given rise to serious abuses, and has been named in England the *truck-system*. The workmen were obliged to buy provisions at a high price, or to accept a reduction of wages. In Belgium, the law of 16th August, 1887, guaranteed the full payment of wages. We shall speak of this law in Article II. Other countries have taken similar measures against the abuses of payment in kind.*

III. **Variations in Wages.**—(*a*) The *productiveness of labour* is a primary factor in the rise and fall of wages.

Labour procures a material utility for the entrepreneur. The more the workman's labour produces, the greater will be the employer's gross product; he may therefore spend a larger sum on wages.

[* The "Truck-system" was finally abolished in England by the "Truck Act" of 1870. *Trans.*]

These considerations prove the falseness of the *wages fund* theory, defended by Smith, Malthus, Ricardo, J. B. Say, and other Liberal economists. These writers hold that wages always depend upon the relation between circulating capital and the number of workers. If circulating capital increases, the number of workers remaining the same, then wages will rise:—and conversely.

This is the application of the law of supply and demand to wages.

This system, which was triumphantly refuted by F. A. Walker (*The Wages Question*), assumes that the employer calculates the wages to be paid according to the resources in hand at the beginning of his undertaking, before any production. Now, it is certain that the entrepreneur fixes the wages according to production, according to openings for sale, and according to the prices that he foresees.

In combating this opinion, some writers—Walker, Cauwès, Villey, Beauregard, etc.,—have fallen into the opposite mistake. They want to prove that the productiveness of labour is the sole cause of a rise and fall in wages, and that the latter is immediately proportionate to the former.

These writers forget that increase of production is due, in great part, to improvements in machinery; that masters, who might raise wages in proportion to the increase in their gross products, as a matter of fact do not do so; and, lastly, that some other causes may influence the fixing of salaries, as follows:—

(*b*) *Supply and demand.*—It is undeniable that the law of supply and demand acts upon the wages-rate. Cobden formulated its influence in these terms:—"When two masters require one workman, wages rise; when two workmen require a master, they fall." Here, again, some economists of the liberal school have fallen into an obvious exaggeration, by erecting this formula into an absolute modifying law on the rate of wages.

They have deduced from it the theory of a *natural or*

necessary minimum of wages. "In every sort of work," Turgot said, "the wages of the worker must fall to a point solely determined by the mere necessaries of existence." In other words, the rate to which wages must necessarily fall, is to no more than is strictly necessary to prevent his perishing from hunger, and to enable him to rear a successor in the same condition.

The socialists took up this theory. Lasalle gave it the name of the *iron law of wages*, which he formulates thus:—"The average wages of labour always keeps down to what is necessary, according to the common usage of the people, for the support of life, and its reproduction."

It is not necessary to enter at length into the refutation of this system. Its whole strength lies in the liberal principle whose falseness we showed at the beginning of this article:—*i.e.*, that "labour is only a commodity; and, consequently, the price of labour—that is, *wages*—must obey the natural law that regulates the price of all commodities:—the law of supply and demand."

(*c*) *Custom.* — This frequently influences wages. Various commissions of enquiry have brought to light how much custom, or mere *routine*, sometimes fixes a rate of wages in spite of strikes or lack of work. It will keep up a considerable difference between wages for the same trade in two neighbouring towns, or even parishes.

(*d*) *Diversity of Professions* is the great cause of inequality in wages, as is clear to see.

(i) Different trades demand different qualities and turns of mind. Natural or acquired skill has a right to higher wages. (ii) Certain callings require a long and costly preparation, and some involve unpleasantness of occupation. Wages will rise in proportion to such disadvantages. (iii) Not all trades give the workman equal security for the future, or the same chances of success. All these circumstances exercise a legitimate influence on the wages to be paid to a workman.

II. Fair Wages.

Cf. on this subject :—

Pottier, DE JURE ET JUSTITIA, dissert. iii, art. v, Liège, Ancion, 1900.—CE QU'IL Y A DE LÉGITIME DANS LES REVENDICATIONS OUVIÈRES. (Rapport au Congrès des Œuvres Sociales à Liège), 1890, 2nd section. Liège, Demarteau.

Mgr. Waffelaert, COLLATIONES BRUGENSES. 6th Jan., 1901.

De Gryse, DE CONTRACTU CONDUCTIONIS. Roulers, De Meester, 1895. PRO PAUPERIBUS. Dietsche Warandeen, Belfort, 1907.

J. Vosters, LE SALAIRE EN DROIT NATUREL. Brussels, Scheppens, 1894.

Vermeersch, THREE ARTICLES in the *Revue Sociale Cath.* 1898; and *Questiones de Justitia*, Nu: 430-440. Paris, Lethellieux, 1901.

Nicotra, LE MINIMUM DE SALAIRE ET L'ENCYCL. RERUM NOVARUM. Trans. from Italian by Lulien. Brussels. Scheppens. 1893.

Genicot, THEOLOGIAE MORALIS INSTITUTIONES, tract ix. De contractibus, sect. ii, cap. vii, § 2, De locatione operae. Louvain, Polleunis et Ceuterick, 1896.

Ch. Périn, L'ÉCONOMIE POLITIQUE D'APRÈS L'ENCYCL. Paris, Lecoffre, 1881—and NOTE SUR LE JUSTE SALAIRE. Mons. Desgnuin, 1892.

Mgr. Turinaz, LE SALAIRE FAMILIAL ET LE CARDINAL ZIGLIARA. Nancy, 1895, (an *opusculum* containing two letters from Eschback).

Lehmkuhl—Liberatore—Onclair—Tanquerey, etc.

J. A. Ryan, A LIVING WAGE. London, Macmillan, 1905. *Trans.*]

What are fair wages?

Ought wages, if they are to conform to justice, to be sufficient, as a general rule, at least for the support of the individual workman; in other words, should wages

be at least *personal*,* in order to be fair? A personal livelihood includes whatever is necessary to a sober, well-conducted man for living suitably:—food, lodging, dress, fuel, etc.

Further, ought wages, in justice, to be *sufficient for the support of the family*? Wages are called *family-wages*, not because the family has helped to earn them, but because they are on the whole sufficient to maintain a family suitably.

Such are the questions to be discussed in this section. The solution of both depends upon the true idea of labour.

I. **Fairness of personal wages.**—*The wages of a sober and well-conducted workman of ordinary health and strength are unfair as a general rule if not sufficient for his personal subsistence.*

(*a*) *Proofs.*—(i) Commutative justice demands equivalence between the thing given and the thing received. Now, a labourer expends his strength in the service of another, and uses part of his life for another's advantage. Hence, he has a strict right to receive, as wages, at least what will compensate for strength and time bestowed. This compensation would be delusive, if it was not enough to sustain his powers and preserve his life.

(ii) We find the same argument, in another form, in the Encyclical *Rerum Novarum* of Leo XIII, whose great competence in economic matters is disputed by no one: not even by liberals and socialists.

When, says the Pope, nature imposes on anyone a duty which there is but one means of accomplishing, the person on whom such duty is imposed has a strict right to the possession of this means. †

* To avoid confusion, we here give to the terms "personal wages" and "family wages," the rather indefinite meaning that has hitherto been given to them in discussing this question.

† This right, the Encyclical declares, proceeds *ex justitia naturali*. The Archbishop of Mechlin, Cardinal Goossens, in 1891, put the following question to the Holy See:—"Are we to understand, by 'natural justice,' commutative justice or natural equity?" He received, through Cardinal Rampolla, the following authentic answer, drawn up by Cardinal Zigliara:—*Per se loquendo intelligitur justitia commutativa.* This is why we say in the text "a strict right."

Now, nature imposes on man the obligation of preserving his life; and, generally speaking, she gives him no means of doing this but the fruits of his own toil. Hence, man has a strict right to expect that the fruit of his labour —*i.e.*, his wages—shall be sufficient to support his life.

(*b*) *Corollaries.* (1) A first conclusion to be drawn from the above, is the falseness of the *liberal theory of wages*. This theory is based on the law of supply and demand, and lays down as a principle—with Joseph Garnier—that "all wages obtained by a free agreement between workman and employer are natural and normal:" —even if the said wage is insufficient for the worker's livelihood.

This statement, as we have just seen, contradicts the true idea of human labour. Labour, says Leo XIII (Enc. *Rerum Nov.*) is first of all *personal*: *i.e.*, it proceeds from the personality itself of the labourer. In the second place it is *necessary*, because man needs the fruit of his labour for preserving his existence, and he is bound to preserve it in obedience to the dictates of nature. On the first ground, a fair wage—which is the price of work—should be adequate to the economic value of that work; on the second, this value should not fall below that of the daily livelihood of the worker.

(2) Whilst the liberal economists err by default, others —*e.g.*, the Abbé Elie Blanc, Dr Ratzinger, Vogelsang, etc.,—go to the opposite extreme and put the value of labour too high. They hold that, besides his wages, the workman has a right to a certain share of the profits. The refutation of this opinion, as of the preceding one, is to be found in the true idea of labour and of the wages-contract.

The workman makes over to the manager the *working-power* that he has to dispose of. But this working-power produces a utility; and this utility belongs wholly to the employer. The labourer, by giving up his working-power in exchange for wages, by this very deed renounces all the useful results of his labour, and hence all share in its profits.

II. **Fairness of family-wages.**—All Catholic economists, faithful to Leo XIII's teaching, maintain that, to be fair, wages ought, as a general rule, to be at least enough to support the individual worker. They also all consider that the master should not be satisfied to pay a wage that is only just enough to support the workman himself. He ought to think also of the family of the worker: *he is bound to give a family-living-wage.*

The only point in dispute amongst Catholics is the nature of this obligation. Some hold that the master should give a family-wage on the ground of *charity.* Others place the grounds for this obligation in *social or legal justice.* Lastly, some assert that the employer is bound in virtue of *commutative justice* to give family-wages to his workers. We will briefly set forth the arguments used by the upholders of these three opinions.

First Opinion: *Charity alone enjoins family-wages.*

This proposition is itself a double one.

(i) *Charity requires the employer to give family-wages.*

If the workman, in exchange for his labour, receives only what is strictly necessary for his personal support, his family, generally speaking, will be reduced to misery. Now, the natural as well as the Christian law enjoins upon all men the obligation of helping their neighbour in want, and this obligation has first to be fulfilled towards the poor, in need of sustenance, with whom they have the closest relations. But who has closer relations with the working father of a family than the master who has hired his labour, and who daily profits by his services?

(ii) *Charity* alone *demands the payment of a family-wage by the employer.*

It is clear that we must not lay upon the employer a heavier burden than that demanded by charity, without putting forward convincing proofs.

Now, what is the fact? The partisans of family-wages *ex justitia commutativa*, maintain that legal or social justice cannot be brought into the present controversy. The reason for this will be given farther on.

On the other hand, writers who defend the principle *ex justitia legali* clearly show that the family has nothing to do with the wages, for the simple reason that it has no share in the labourer's work. The conclusion is plain:—that the obligation of giving such wages on the ground of either commutative or legal justice, is at least doubtful; hence, it is practically *null.*

Second Opinion.—*Legal justice alone requires the family-wage.*

This view is taken by Antoine, *l.c.* p. 570; by de Gryse, *De contractu conductionis*; by Talanes, *Rivista internazionale*: and by many others. The proof of this is a triple one:—

(i) *The first point to establish is that the obligation of paying this wage does not rest upon charity.*

Charity does not give the needy any *right* to the help of others. Can it be reasonably admitted that God would have so neglected to provide for the subsistence of most families? That, on the one hand, He should have imposed on man the *obligation* of reaching his last end, and of providing for his own support; and that, on the other hand, He should have refused him the *right* to take the means of doing so?

Moreover, the office of charity is confined to helping individual needs, which may arise accidentally. But if it is once granted that the labourer has no right to earn enough for the livelihood of his wife and children by his work, then the greater number of working-class families would be in want, and charity might have to provide for them.

Further, how can it be reasonably supposed that God intended misery to be the *normal* condition of almost all workmen's families? Is it credible that He should have desired negative community of goods:—*i.e.*, that He should have left man with the faculty of appropriating goods that belong to nobody, and at the same time should have denied, to the greater number, efficacious means for doing this? Can we believe that God, Who created men free, and destined them to reach their end

independently of each other, has decided that most of them should live in complete dependence on others, even to the point of having to ask their fellow-creatures for their daily bread?

(ii) *The family-wage is due on the ground of legal justice.*

(1) Social order requires (*a*) that fathers of families and members of society should be able to fulfil their duties. (*b*) That families, which form the constituent elements of society, should live, and should preserve and propagate themselves. Now, this double requirement can only be fulfilled—ordinarily speaking—by the fruit of daily work:—*wages*. Therefore, social order requires that these wages should support a family.

(2) The common welfare of any large portion of society belongs to the common welfare of the whole social body. Now, the common welfare of labourers, who form a considerable portion of society, suffers, if they cannot manage to support their families by their daily wages. Consequently, the welfare of society as a whole demands the payment of a family-wage.

(iii) *The family wage is not due on the ground of commutative justice.*

Proofs.—(1) The contract of commutative justice demands full equivalence between the things exchanged; —between the work and the wage. This principle is unassailable. Does such an equivalence exist between the personal work of a labourer, and a wage which is not personal, but for the support of a family? Merely to put the question seems almost enough to answer it.

"Wages," says Antoine (*l.c.* p. 573) "are the equivalent of the strength and the time consumed by the labourer's work. Is it so with the labourer's family? Does the family contribute to the father's work? Is it a factor in the working-power which is the matter of the hiring-contract for the work? Decidedly not: and, consequently, the support of the family forms no part of the objective equality between labour and wages."

(2) To prove their opinion, the partisans of family-wages are fond of pointing to the Divine Plan. Providence, they declare, has given working-powers to man for the purpose of maintaining himself and his family, and therefore the natural objective value of these working-powers must be the support of the whole family. Hence, the wages due in strict justice ought to be the equivalent of the working-power, measured according to the *family* needs.

But this argument has a weak spot. Providence, no doubt, intended man to support his family by the fruits of his labour; and hence it is necessary for his wages to be sufficient for that purpose. But to conclude from this that the family-wage is due *ex justitia stricta* is a very different thing. May not *social authority*, in view of the general welfare, prescribe such wages? Has not God, by giving man the inclination for civil society, clearly implied that he should look to that society itself for the help he needs towards the support of his family?

(3) As so much is made of a father's obligation to support his family, it may be as well to remark that, in point of fact, the marriage-state, with the duties attached to it, is left to each man's free-will. Whoever enters upon it should look to the future. If, later on, he finds himself unable to provide for the needs of a large family, surely he ought to seek the cause of this in his own want of foresight?

THIRD OPINION.—*The family-wage is due on the ground of commutative justice.*

This view is adopted by a number of writers, such as Mgr. Waffelaert, *l.c.*, Mgr. Nicotra, *l.c.*, Card. Manning, *Leo XIII on the condition of labour*; Pottier, *l.c.*, No. 195, Liberatore, *Econ. Polit.*, p. 246-252, Vermeersch, *l.c.*, Lehmkuhl, *l.c.*, No. 1127, Verhaegen, *l.c.*, De Cepeda, Steccanella, Marrès, Périn, etc.

In order to explain the true sense attached to this thesis by its supporters, it is necessary to make a few preliminary statements; after which we will give the chief arguments for the opinion.

(1) *Statement.*—The ground on which these writers base their opinion is no different from that on which the other views are based. They profess to prove that the minimum value of an ordinary labourer's work is beyond what is needed for his personal support, and is high enough, broadly speaking, to provide for the family livelihood.

Therefore, the family-wage, being due only to the intrinsic value of the man's work, is not to be paid according to his needs; it ought not to fall and rise in proportion as the wants of his family increase or diminish; and it ought to be given to the bachelor as well as to the married man, since their working-power has the same value.

It follows, again, that the daily wages of the workman will not be equivalent to the *daily* maintenance of the family; sometimes it will be more than is required for this, sometimes less; and the daily wages will thus be sufficient, if we take the average life of a sober, well-conducted workman and his family, *as a whole.*

Take, as an example, any workman of ordinary health and strength, on whom the Author of nature has conferred, in view of his having to maintain a family, working-powers that are worth more than he needs for his own subsistence. If this man is sober and provident, while he is regularly receiving the wages due to the intrinsic value of his labour, he will periodically put aside savings, both before marriage and during his early married life. At other times—*e.g.*, when he comes to have three or four children—his daily wages will be all spent from day to day. At yet other times, again, if he is tried by illness—if some unusual expense has to be met—if he has eight or nine children—his daily wages will not be enough, and he must fall back upon his previous savings. Later on, if God blesses his union with a still larger family, the elder children will begin to help by their earnings. In this way, by a quite simple and universal means—*i.e.*, by endowing man with higher working-powers than he needs for himself

alone—our Maker has provided for the existence and propagation of the whole human race.

(2) *Proofs.* (i) Let us begin by an *exclusive argument.* The obligation of paying a family-wage rests either upon charity, or upon social justice, or upon commutative justice.

To assert that it rests upon social justice is to misunderstand the very idea of that justice. It must therefore rest either upon charity or upon commutative justice. The partisans of the last view agree in putting charity out of court: therefore, the obligation must be founded on commutative justice. To prove the truth of this—having already sufficiently proved that charity is not its foundation—we have only, then, to establish the certainty of our first minor premiss: that the duty of paying a "family-wage" cannot proceed from social justice.

The truth of this assertion was fully brought to light by Vermeersch (*Revue Sociale Cath.*, 1898, three articles). He bases his argument on the *theory of legal justice.*

Legal justice is a special moral virtue, which inclines the members of any perfect society to fulfil certain obligations towards that society, *in view of the common welfare.*

Legal justice, then, has no *specific matter* of its own: but it appropriates the matter *of particular virtues*, and directs their action towards *the good of the community* (motivum formale).

It is *these particular virtues that immediately determine the obligation.*

Hence, whoever violates an obligation imposed *by legal justice* sins *solely* against these particular virtues, and in no wise against legal justice itself, unless his shortcoming is dictated by an intention *formally* opposed to the common welfare. (*See*, for the detailed explanation of this theory, Vermeersch, *l.c.*—*Collationes Brugenses*, 1903, p. 534. Pottier, *De jure et justitia*, p. 117, etc.)

From these principles we deduce the following conclusion:—

If the family-wage is due on the ground of legal

justice, the first question to arise is this: what is the *particular virtue* whose action is here directed by legal justice towards the common good? Is it charity or commutative justice? It cannot be any other, in the case under consideration.

Now, we have seen that the particular virtue *immediately determines the obligation*. Therefore, the payment of family-wages is an obligation imposed *immediately, either by charity or by commutative justice*. Whoever fails to do it sins against one of *these two virtues*. He does not, *besides*, commit a fault against legal justice, unless he has the formal wish to injure the common welfare by his act.

(ii) The second Proof is *direct*.

The contract of commutative justice demands equivalence between the things exchanged, and therefore between the labour given and the wages paid.

Now, the *minimum* value of an ordinary workman's labour is beyond that of his personal livelihood, and is enough for the support of his family. Hence, strict justice makes it an obligation to pay a family-wage as the *minimum*.

The assertion contained in this minor premiss is based on the following reasons:

(a) Common opinion. (*See* Vermeersch, *Quæstiones de Justitia*, p. 557.) The value of the workman's labour, like that of all other things exchanged, is determined by common opinion. Therefore, if this opinion points to a family-wage as the equivalent of labour, it is due to the workman in strict justice. Now, this is actually the case. If wages insufficient for the support of a family are suggested to even the most well-conducted and least complaining of workmen, as the price of their labour, general discontent will be aroused: —unless, indeed, the men are convinced that the inadequacy of the wage arises from some accidental or passing cause, such as an unusually numerous family, a special crisis, etc., etc.

We have only to observe what goes on, in no matter

what sphere of society, to see that most of those who do not belong to the working-class think the same. Let a master who does not pay his men wages enough to keep their families become noted in any neighbourhood, and a general protest will arise on all sides:— ending sometimes by causing strikes.

Lastly, all non-liberal economists are so well convinced that the sober and steady labourer deserves wages equivalent to the keep of his family, that they all endeavour to secure them for him; some, by appealing to charity; others, by calling upon justice. Through all quibbles of words, the common principle is clear:— *it is just that the labourer should be able to live himself, and to support those who belong to him, by the work of his hands.*

If, then, common opinion holds that this wage is *equitable* and *deserved*, it follows that it is the *just* price of labour; for—(we must repeat it)—the common opinion is the determining rule of the value of things.

(*b*) God, the infinitely Wise Being, never appoints any creature for a particular end without giving the means of attaining it. As a general rule He has appointed that man should support a family by his work. Therefore, He has given to human labour power sufficient to earn the family livelihood. This argument is strengthened by the following considerations, drawn from the Encyclical:—

When nature lays a duty upon anyone, for the accomplishment of which there is but one means, the person on whom such duty is incumbent has a strict right to this means.

This major premiss is clearly set forth in the Encyclical *Rer. Nov.*; and Leo XIII makes it the basis of his argument on the subject of labourer's wages.

Now, nature lays the duty of maintaining his family on every father, and, as a general rule, supplies him with only one means of doing it: — his personal wages. The Encyclical loudly proclaims this obligation when it says: *Sanctissima naturae lex est*

*ut victu omnique cultu pater familias tueatur quos procreavit.**

Therefore, the father of a family has a strict right to be enabled to keep his family by means of his wages.

This proof, taken from Mgr. Nicotra, M. Pottier, and others, leads naturally to further considerations. The man's wife and children have a natural *right* and *duty* of preserving their lives. Therefore, according to the Encyclical, they also have a strict right to the only means of exercising such right and fulfilling such duty. What is this means? Nobody will say that it is their personal labour; so it must be the labour of him who has been placed by nature at the head of the family.

(e) Lastly, the upholders of this opinion say that the objections brought against it are valueless, and, far from weakening, tend to strengthen it.

First Objection.—The contract of commutative justice demands perfect correspondence between wages and work. Now, personal labour is only worth personal subsistence. Therefore, the minimum wage due in strict justice should only be equal to the expenditure of strength and time in the work.

Reply.—The assertion here contained in the "minor premises" has already been refuted by the second and third arguments given above. Further, an examination of *labour itself* shows the inaccuracy of stating that *personal labour* and *personal subsistence* are perfectly equivalent.

(i) To begin with, intellect has a share in all human work, no matter how humble; and this share does not constitute an expenditure of strength. It is therefore not true that *expenditure of strength* and *labour supplied* are two exactly equivalent things. But it is precisely this full equivalent that has to be established, as it is the sole foundation of a contract of strict justice.

(ii) Even granting that, in a labourer's work, we need

[* It is a most sacred law of nature that a father should provide food and all necessaries for those whom he has begotten.]

only consider the material side—the bodily element—it is still inaccurate to say that the labour supplied is the *total* and *sole* cause of the expenditure of strength. True:—strength is consumed *during* one's work; but it would also be consumed during that time if we were not working; for the waste of our powers obeys a law attached to the very constitution of a living being.

Work often *increases* the loss of power, but it may also give more vigour to the body. We may admit that labour, up to a certain point, is a cause of the waste of strength, but it cannot be maintained that it is the *sole adequate cause* of it. Therefore, there is not *perfect equivalence* between labour supplied and expenditure of strength; consequently, the objection is not well founded.

(iii) Lastly, even supposing we admit that labour supplied is the total cause of power expended of the life consumed:—who can say that labour has this effect only? It is a purely *negative* one, and work has a *positive* effect. It is an activity producing a real value—an improvement in the thing operated upon. A clear proof of this assertion is that the same amount of labour bestowed—and therefore of power expended—produces different effects in both quantity and quality according to the difference in workers.

Therefore, it is inaccurate to assert that labour supplied and strength consumed form a perfect equation.

Second Objection.—The principle of the family-wage *ex strictâ justitia* has often been opposed by an answer given, at the Pope's request, by Cardinal Zigliara to Cardinal Goossens. At the present time, however, it seems hardly necessary to refute this objection. The document has the authority of a weighty theologian—*unius gravis theologi*—and nothing more. See, on this subject, Mgr. T. Serclaes, *Vie de Léon* XIII, ii, p. 102. —Godts, *Scopuli vitandi*—Also the correspondence exchanged between Mgr. Turinaz and P. Eschbach—Vermeersch, *Questiones de justitia*, n. 420, 3.

Third Objection.—It will be remembered that one of

the chief objections offered to this opinion by the writers who defend Opinion II was based upon *the liberty of man as to contracting marriage.* The following remarks deprive this argument of all value.

First, the partisans of a family-wage *ex strictâ justitia* have no need to rely upon any *obligation* that man might be under of founding a family; it is enough for them to know that God has *given a right* to all men to found one. If He has given this right to man, He has also given him the means of performing the duties attached to its exercise, by his work.

Next, if it is true that the duty of founding a family is not immediately laid upon each individual, it is no less true that it has been directly laid upon the whole race, and by this means reaches each individual. Now, if God has made it an obligation for the generality of men to form a family, He must have conferred with it a strict right to the only means of fulfilling the obligation: *i.e.*, to work equivalent in value to a family-wage.

Surely, it is reversing the order of things to say that the individual has a right to contract marriage, on condition that he has the means necessary for meeting its responsibilities? Marriage, in practice, is indispensable to the majority of men as the means of attaining their final end: is it credible that God should have made the right to such a necessary means dependent on accidental advantages?

Fourth Objection.—It has also been said that, to enable a man to support a family, Providence was not obliged to give a value sufficient for this purpose to his working-power. Is not society there to do this office; are not institutions for mutual help, for saving, and for protection, sufficient for the succour of needy families? People who make this objection are upholders of the family-wage *ex justitia legali.* But their argument turns against themselves. They prove that man has a strict right to earn a suitable *personal* living by his labour, for the very good reason that nature, when she lays down an obligation, always confers a right to the

means of fulfilling it. Might we not reply that nature has fully provided for individual needs by benevolent institutions, for saving, etc., and by the help and protection that civil society affords to mankind? If they deny this in the case of man as an individual, they ought to deny it in the case of man as father of a family.

To get themselves out of this difficulty, the upholders of Opinion II call our attention to the fact that civil society, and all other kinds of institutions and associations, are *subsequent* to the individual. The latter, therefore, by virtue of his very nature, must be armed with all his rights before the establishment of any such organisations. All the societies that subsequently arise have no object but to *protect* the rights proper to the nature of man. The reasoning here is perfect, and no fault can be found with it; but if it is valid for the solitary workman, it is also valid for him when father of a family. Society, and all the various organisations that do their work in civil society, are posterior to the family, which had its natural existence, its place in the world and its rights, before the creation of society. The office of the latter is merely to protect family-rights, to repress abuses hurtful to the general good, and to develop social well-being.

Conclusion.—Such are the three opinions that divide Catholic economists on the subject of fair wages. It was our duty to state them all, with their respective arguments. Not one of the three is contrary to the teachings of the Church; and the last two are defended by many eminent economists. We ourselves incline, for the reasons given above, to the third opinion: but, whatever side we may take in this warmly-debated question, we must be careful to remember the words of the Pope: "Everybody must avoid such causes of dissension as tend to irritate and separate minds. Hence, whether in newspapers or at popular meetings, certain questions, of much subtlety and of very little real use, questions that are hardly capable of any practical solution, should not be discussed. Whatever

opinion each one may prefer, in matters doubtful, let him always be ready, with his whole heart, to attend loyally to what is taught by the Apostolic See." (Encycl. *Graves de Communi.*)

Instead of wasting their strength in endless discussions, which keep up excitement and discord in their own ranks, Catholics ought to unite in the field of economics, so as to oppose solid Catholic doctrine to the inroads of socialism, and to the objectionable attempt to restore the old "classic" liberalism. The prominence of the Catholic school in Political Economy—the material welfare of the people—above all, the influence of Christianity, and the gradual infusion of its healthy teachings and morality into popular life—are all to be had only on these terms.

III. The Actual State of Things

Cf. on this subject:—

Encycl. RERUM NOVARUM.

Brants, LUTTE POUR LE PAIN QUOTIDIEN, pp. 226, etc.

Moureau, LES SALAIRES AU XIX^e^ S.

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Leroy-Beaulieu, ESSAI SUR LA RÉPARTITION DES RICHESSES, ch. xx. Paris, Corbeil, 1881.

Jean Lösevitz, Some articles in *l'Association Catholique*, vols. xvi, xvii, xviii.

Achille Loria, ANALISI DELLA PROPRIETA CAPITALISTA, pp. 338, etc. Turin, 1889.

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Edouard Payen, LE SALAIRE DES OUVRIERS AGRICOLES. *L'Economiste Français*, March, 1906.

P. A. Helmer, LES SALAIRES DANS LES ARSENAUX ALLEMANDS. *Bulletin du comité central du travail industriel.* January, 1906.

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ANNUAIRE STATISTIQUE DE LA BELGIQUE, 1906, xlii, liv, pp. 287, etc.

LE SALAIRE DES OUVRIERS AGRICOLES. *La Revue de Statistique*, No. 18, May, 1906.

Booth, LIFE AND LABOUR OF THE PEOPLE, 17 vols London, Macmillan, 1902.

Rowntree, POVERTY, A STUDY IN TOWN LIFE. London, Macmillan, 1902.

Cadbury, Matheson and Shaun, WOMEN'S WORK AND WAGES. London, Unwin, 1909.

REPORT ON THE WAGES, EARNINGS AND CONDITIONS OF EMPLOYMENT OF AGRICULTURAL LABOURERS IN THE U. K. (col. 2376). London, Wyman & Sons, 1905.

I. Real Condition of the Working-Classes.—The *socialists* can see nothing anywhere but the wretchedness, poverty, and slavery of the workman. They declare that the inevitable result of the present economic state of things is that the rich get richer, and the poor more wretched, every day.

Against this pessimist theory, *the liberal school* urge their very optimistic view. The present economic conditions—so they hold—tend to equalise social relations: the rich are getting poorer, and the poor richer. The chief defenders of this theory are Leroy-Beaulieu, Claudio Jannet, Bastiat, etc.

The real truth as to the present position of the workman lies *between these two extremes.* Numerous investigations have been made into the material condition of the workers. Commissions have been appointed and statistics drawn up, in all countries, about different trades; taking into account, as far as possible, any circumstances that may cause variations in wages.

The *general conclusion* arrived at, as a result of these inquiries, is that Leo XIII had exactly understood the

real state of things when he wrote:—"Men of the lower classes are, for the most part, in a position of undeserved misfortune and misery."

The *special conclusions* to be drawn are these:—(*a*) For forty years past, there has been a nominal rise in wages; but real wages have not been affected by it, because of the corresponding rise in rent and the price of provisions, and also because of the multiplication of legitimate wants amongst the working-classes.

(*b*) The wages of adult working-*men* is usually enough for their personal livelihood; but those of working-*women*, as a rule, fall below the minimum that is sufficient.

(*c*) The wages ordinarily paid to workmen, if we except a small privileged class amongst them, is insufficient for the support of a family.

II. **Consequences of this Condition.***—Besides the *wretched life* that working-class families are compelled to lead, and the *moral and intellectual degradation* that are its inevitable result, insufficient wages have produced—and are still producing—*the class war*, and a feeling of hatred towards proprietors. This last consequence is greatly aggravated when discontent amongst workmen gives rise to *strikes*.

A strike is an entire cessation of work agreed upon amongst the men, with the object of improving the conditions of labour.

From what we have already said about the material condition of the labourer, and about fair wages, it

* In treating, here, of insufficient wages, we are only pointing out the influence of this factor on general economic conditions. But we must never forget that an insufficient wage is not the only cause for the sufferings of the working-class. The point of departure for social evils is to be found in the moral order of things. The workman is often intemperate and dissolute; and the master has often forgotten his duties of charity and supervision. Workman and master alike have grown irreligious:—the sufferings of the one no longer inspire him with the principles of hard work and resignation; whilst the avarice of the other is no longer restrained by the spirit of justice and charity.

follows that strikes are lawful in themselves. The State cannot absolutely forbid them, as the workman is often only using them to defend his rights.

Strikes are unlawful when some motive of justice or charity makes it obligatory that the work should be carried on; or, again, if they are instigated or kept going by means of crime, unjust assaults, or other forms of violence.

The State may interfere to punish or repress the abuses of strikes. It may put a stop to one, if it is becoming a danger to society; and it ought, by virtue of its special office, to seek out means of lessening these perpetual conflicts between employers and employed, by appointing Boards of Arbitration.

III. **Remedies for this Condition.**—We can find no remedy for the workman's present condition in the principles of "economic liberty" dear to the classic school. In fact, these unfortunate doctrines have been the chief cause of our existing economic evils.

In this question above all, we must turn for a solution to that triple factor whose great influence on the production of wealth we have already shewn:—to Association, the State, the Church.

(*a*) *Association.*—This will combine the workers, and will help them to insist upon having the rules of *justice* observed by the masters in fixing and paying wages; whilst it will also bind them together with the tie of mutual *charity*, and make them ready to come to each other's help in case of misfortune or accident. It will even unite employers, and others of the well-to-do class, for the purpose of encouraging the workmen, helping the poor, finding them food and lodging, etc.

(*b*) *Legislation.*—The law will sometimes interfere *directly*, by fixing a minimum wage for certain trades, or for special reasons, by prescribing the way in which certain wages are to be paid:—their not being distrainable, etc. More frequently, however, it will intervene *indirectly*, by greatly encouraging Provident and Benefit institutions, and Friendly Societies.

Its office will be to enforce the observance of *justice* in the distribution of wealth, throughout society; and to encourage the spread of such works for the bettering of the labourer's condition as may be inspired by *charity*.

(c) *The Church.*

On the Church, above all, is the obligation incumbent of teaching men the rules of *justice* and *charity*, for it is she alone who can give them the graces necessary for practising what she teaches.

To the *poor*, the Church preaches energy in their work, and complete submission to the will of God; whilst in return for their privations she promises them eternal happiness. The *rich* are reminded by her of the object of worldly possessions; of the use which they should make of them; and of the mission that they have to fulfil towards their less-fortunate brother. On rich and poor alike she tries to impress the duty of mutual love, and of respect for each other's rights. Without her, Association and State intervention can have no effect. Such are the three factors that may improve the material condition of the working-class. Their *combined action* cannot fail to produce the happiest results.

The following Article on Various Institutions in Belgium, will bear witness to some of these results.

ART. II

Various Institutions

For the sake of putting some order into the multiplicity, both of laws and of works, connected with this subject, we will distinguish between Institutions for Providence, for Relief, and for Protection.

I. Provident Institutions

Cf. on this subject:—

BELGIAN ORGANIC LAWS from 1865 to 1900.

L. Hamende and F. Burny, HISTOIRE, EXPOSÉ DES OPÉRATIONS ET STATISTIQUES DES CAISSES D'ÉPARGNE, EN BELGIQUE Louvain, Fonteyn, 1902.

COMPTE RENDU DES OPÉRATIONS ET DE LA SITUATION DE LA CAISSE GÉNÉRALE D'ÉPARGNE ET DE RETRAITE, 1906.

Steyaert, LE CODE DE LA PRÉVOYANCE. Ghent, Siffer, 1901.

LA CAISSE GÉNÉRALE D'ÉPARGNE ET DE RETRAITE, EN BELGIQUE, ET SES DIFFÉRENTS SERVICES. Brussels, Van Bruggenhout, 1900 (anonymous).

Soenens, LA MUTUALITÉ EN BELGIQUE. Brussels, Larcier, 1901.

Th. Théate, LES SOCIÉTÉS MUTUALISTES.—LES PENSIONS DE VIEILLESSE. (Commentary on the law of 10th May, 1900). Louvain, Van Linthout, 1901.

O. Velghe, LOI DU 10 MAI ANNOTÉE.

Vermeersch, LÉGISLATION ET OEUVRES EN BELGIQUE. 2nd Ed., passim.

Conturiaux, LES OEUVRES SOCIALES. Namur, Delvaux 1905.

I. **General Bank for Savings, Pensions, and Insurances.**—Very often the working man does not know how to provide for the future, and is content, from day to day, to consume the profits of his labour. He must therefore be helped, and have right notions of thrift suggested to him. It was with this object in view that the Belgian Government founded the General Bank (*Caisse Générale*), to serve the triple purpose of Savings' bank, Pension-fund, and Insurance office. The Savings' branch of it was founded in 1865, and was combined with the General Pensions' Fund which had existed since 1850. In 1894, a Life-Insurance branch was added to it.

(*a*) **Savings' Bank.**—(1) The State, in establishing the Savings' bank, did not intend to create a monopoly; on the contrary, it urges both individuals and municipalities to institute private banks, and offers—certain

guarantees for good management being furnished—to make these branches of the General Bank. The latter is not even a State-Bank, but only established under State guarantee. Still, the Government indirectly manages the General Bank, by appointing or dismissing the general director, and all members of the councils that have the management of it.

(2) *The great benefit* conferred by this institution is that of collecting all the small savings, preventing their waste, and forming them into productive capital. Besides this, it morally improves the working-classes by introducing habits of foresight and economy.

(3) The minimum of each *deposit* is fixed at a franc; in Belgium there is no maximum. The deposits may be made at all agencies of the National Bank, at all post-offices, and to rural postmen on their rounds. For Belgian labourers working in France, they may even be made at French post-offices. Also, a deposit may be made in favour of another person.

(4) As to the *withdrawal* of deposit, the bank, after giving notice, may, *ex officio*, invest in the Belgian public funds whatever amounts are required for reducing the total deposit of any one depositor to 3000 francs (£120). Anybody wishing to withdraw a deposit beyond 100 francs (£4) must give notice, at least fifteen days beforehand, to the bank manager.

(5) The *interest*, on all sums not beyond 2000 francs (£80), is 3 per cent. Since 21st June, 1902, it has been reduced to 2 per cent. for all deposits above this sum. This is in order to prevent the depositing of large sums, which would be contrary to the object of the bank.

(*b*) **Pension-Fund.**—(1) The *object* of forming pension-funds is to provide life-annuities at an age when man can no longer gain his living by his own work. The subscribers form a kind of association amongst themselves. All put in a certain sum, and only those who are living when the pension becomes available benefit by it.

(2) The *deposit* may be made for the personal advantage of the depositor, or in favour of another person,

provided that other has reached the age of six years. The depositor must be at least eighteen.

The deposit may be made by either relinquishing or reserving capital. If the capital is reserved, it returns on the death of the depositor to his heirs, less a certain percentage retained for expenses of administration. If the capital is relinquished it is definitely alienated; but, in this case, a larger annuity is ensured when the age for enjoying the pension is attained:—this age being from fifty-five, sixty, or sixty-five years.

(3) The *annuity* procured by the deposit may be *immediate* or *deferred*. It is immediate if it takes effect at the time of deposit (from ten to ninety years, according to the Royal Decree of 10th February, 1890); it is deferred if it only takes effect some time after the deposit:—*i.e.*, according to the decision of the law, from some age attained between fifty and sixty-five.

An immediate annuity cannot be acquired except by relinquishing capital; and the capital must be enough to bring in at least 12 francs' (9s. 6d.) pension. The yearly amount of relinquishments effected with the object of getting an immediate annuity, or one deferred for not more than three years, has been limited, by the decree of 9th April, 1902, to a maximum of 300 francs (£12).

For deferred annuities, the minimum, both of the pension and of the deposit paid towards it, is a franc. The maximum of an annuity is 1200 francs (£48).

4. In order to *be admitted* to the Pension-Fund, a request for registry as an annuitant must be signed and lodged at the time of the first deposit. If the annuity is deferred the subscriber receives a *depositor's-book*, in which all payments, and the yearly sums due, are entered. If it is immediate, the beneficiary receives a *pension-certificate*.

5. The annuity thus acquired in one's own name is *inalienable* to anyone else; and it is *not distrainable* up to 360 francs (£14, 8s). It is paid monthly or quarterly, in the public savings'-offices, or at the tax-collector's.

In certain cases—*e.g.*, incapacity for work, accidents, etc.—the member may benefit by his annuity before the time fixed; but an annuity thus granted is subject to reduction. If an annuitant, already enjoying his pension, dies in poverty, the Bank pays 25 francs (£1) for funeral expenses. The indemnity allowed for these charges, however, cannot exceed the amount of capital relinquished.

(*c*) **Insurance Office.**—(1) The law of 21st June 1894 (approved by Royal Decree in June '96) founded the Insurance-Office. The general *object* of the latter is to enable the poorer classes to obtain a life-insurance on easy terms. Here, again, the aim of the State is disinterested: it again guarantees the working of the office.

(2) The obligations implied by this contract concern, on the one side, the *Policy-Holder*, who has to make a periodic deposit called a *premium;* and, on the other, the *insurer*, who in the present case is represented by the General Bank.

The insurer, on a certain supposition assumed (*e.g.*, on the death of the person insured), is bound to pay a fixed capital. Besides the insurer and the policy-holder, the *person insured* and the *beneficiary* appear in this contract; it is for the advantage of the last-named that the insurance is effected. The person insured must be at least 20 years old.

(3) The Bank effects *mixed insurances* at annual premiums, and *whole-life insurances* up to the amount of 5000 francs (£200).

In the case of a *mixed insurance* the capital is demandable at the end of the contract, if the person insured is living at the time, or on his death if he dies before this date.

In a *whole-life insurance*, the premium is payable up to the age of fifty-five, sixty, or sixty-five, and the capital is paid in on the death of the person insured. This form of insurance, therefore, is for the exclusive benefit of the family.

(4) The bank, in accepting a contract, gives the

policy-holder a paper called a *policy of insurance*. In case of the death of the person insured, one of the offices of the bank must receive notice of it; and at the same time, the "policy" should be lodged there. If (*i.e.*, in the case of a "mixed" insurance) the person insured is living when the contract terminates, the only thing necessary is to send in the policy at the date fixed, which will give a right to the payment of the capital.

(5) Considerable progress has been made within a few years in the insurance department; but there still remains a good deal to be done. The people are not yet sufficiently instructed in the great advantages of insuring themselves there. An active propaganda has been promoted by the directors of the office, for *making the Institution known;* for *simplyfying its formalities* (*e.g.*, for suppressing, in many cases, the medical visit); for encouraging the *corporate insurance* of the members of different societies; and for *putting within reach of the humblest labourers* the power of paying a constant insurance-premium, by accepting deposits of even ten (1d.) or twenty (2d.) *centimes*, if made through the medium of a Society.

II. **Benefit Societies.**—We have already given some details of Benefit Societies considered in themselves: *their definition*, their *advantages*, and their *division*. Also, we have given some account of *Belgian legislation* in their regard.

The Belgian Government, by the law of 23rd June, 1894, had it especially in view to extend the advantages of the General Bank for annuities and insurance, by granting certain favours to Benefit Societies affiliated thereto.

To complete the subject, we will therefore give some particulars about benefit, or friendly societies, *as adapted to personal insurance, and as adapted to property insurance;* also, about *the federation of benefit societies*.

(a) Benefit Societies for Personal Insurance

Cf. on this subject:—

R. du Sart de Bouland, LES SOCIÉTÉS DE SECOURS MUTUELS, EN BELGIQUE DEPUIS 1830. Brussels. Schepens, 1890.

Em. Tolback, MANUEL PRATIQUE DES SOCIÉTÉS MUTUALISTES. Brussels, Schepens, 1895.

Van Hees, LES PROGRÉS DE LA MUTUALITÉ, EN BELGIQUE, DE 1895-1900. Brussels, Wormhout, 1900.

A. Soenens et Perpète, LA MUTUALITÉ EN BELGIQUE. Brussels, Larcier, 1901.

Vermeersch, MANUEL SOCIAL, 2nd Ed., p. 660, etc.

G. Malherbe, (several propagandist pamphlets. Schepens, Brussels.)

(1) *A society of mutual help*, says Vermeersch, (*loco citato*) *is an association of friends formed for providing its members, in return for a periodical subscription, with temporary assistance, intended to meet unexpected and painful contingencies.*

(2) These societies are made up of *honorary* and *effective* members. In some societies, women and children are admitted under the head of *participating* members.

The honorary members pay a certain sum, either annually or once for all.

The effective members are expected to send in their subscription, fixed by the statutes of the society, monthly or quarterly. They are also bound to pay an entrance-fee, at least as soon as they are eighteen or twenty-one years old.

(3) The society, on its own side, undertakes certain obligations, of which the chief are:—

(*a*) Medical and surgical care.

(*b*) Daily indemnity in case of illness, provided that such illness is not due to a culpable cause, and that it is not merely a passing indisposition, or—on the other hand—a greatly prolonged disease.

In the latter case, it becomes a question of *re-insurance*, which will be mentioned later on.

(*c*) Indemnity on birth of a child—at a death—etc.

(*d*) Lastly, *extraordinary* help, sometimes given to aged members, to widows and orphans, and to sick people whose illness lasts beyond several months :—etc.

(4) One of the *most important services* that a Benefit Society does for its members is *to affiliate them to a Pension-fund*. The Legislature aimed at encouraging such affiliation, by granting legal recognition to Societies founded with this object.

The members as a body gain great advantages by being thus affiliated. They are incited to make regular deposits ; are helped both to make and to increase these from the funds of the Society ; and can leave to the Society itself the often troublesome business of fulfilling the necessary formalities of individual affiliation to the Pensions' Office. Moreover, the office itself demands fewer conditions from members so affiliated, for obtaining the premiums allowed by the State ; and it grants, to each Society whose accounts are found in order, an allowance of 2 francs, (1s. 8d.), for every depositor's book in which 3 francs, (2s. 9d.), have been entered in the course of the year.

(5) The Pension-Benefit-Societies have become widely-spread in Belgium : many employers have even established them for the workmen in their own factories. Amongst these Captains of Industry, some prefer leaving affiliation optional, whilst others make it obligatory. The members who are compulsorily affiliated have the amount of the lowest subscription stopped out of their wages.

(b) Benefit Societies adapted to Property Insurance

Cf. on this subject :—

Soenens. LA MUTUALITÉ EN BELGIQUE.

Oct. Bouzin. LES SOCIÉTES MUTUELLES D'ASSURANCE CONTRE LA MORTALITÉ DU BÉTAIL. 3rd Ed., Brussels, Schepens, 1898.

H. Francotte. L'ASSURANCE LIBRE DU BÉTAIL EN BELGIQUE. (*Rev. Soc. Cath.*, 1898.)
G. Malherbe et Schreiber (several pamphlets, Schepens, Brussels).
Vermeersch. MANUEL SOCIAL. 2nd Ed., p. 862, etc.
Douterlungue (Chan). LES ASSURANCES RURALES CONTRE L'INCENDIE EN BELGIQUE. *Bulletin de Tournai*, 1903, p. 285, etc.—MANUEL À L'USAGE DES SOCIÉTÉS MUTUALISTES D'ASSURANCES DU BÉTAIL. (Anonymous, Government publication).

Property Insurances are, specially, of three kinds:—insurance against mortality or sickness amongst farm-animals; insurance of crops in case of accident; and insurance against fire. Insurances of the first two classes only come under the law for Benefit Societies.

(1) *Insurance of Farm animals.*—(i) These societies include *honorary* and *effective* members. The latter, when accident or illness happens to an animal, must give notice to the Head of the Section, or President of the local committee of the Society, within twelve hours.

(ii) The *resources* of the Society are provided by *subscriptions imposed* on the effective members, by *gifts and subscriptions* from the honorary members, and by *subsidies from the public authorities.*

(iii) The society *binds itself* to indemnify its members for the loss of their animals. But this indemnity never goes beyond one-half, two-thirds, or three-quarters of the value of the beast insured, so that it may be to the farmer's interest to take care of them. It is regulated by the statutes of each society.

(iv) The chief kinds of farm animals insured are *cattle*, which the Benefit Societies make their chief object; and also *horses*, *goats*, *sheep*, and *pigs*. The insurance of pigs is relatively the least flourishing.

(2) *Insurance against hail.*—This presents special difficulties, because of the enormous damage caused by hailstorms, and the irregular occurrence of such accidents.

To meet these difficulties it is necessary to have recourse to re-insurance, or only to promise partial indemnity. There are only a few societies for insurance against hail in Belgium.

(3) *Insurance against fire.*—As we have said, the Legislature has not granted legal protection to societies of this kind. They are generally established in the form of co-operation. We cannot here go into details of their organisation, which has to be largely guided by prudential considerations. To go to work prudently it must be ascertained, for instance, whether the total indemnities demanded, within the radius to be included in the society, are notably and *habitually* lower than the premiums; whether a capital which will form a solid basis for credit may be counted upon; whether the indemnity promised is high enough to attract members; and whether the safest course will be federation, or re-insurance on a large scale.

(*c*) Federation of Benefit Societies

Cf. on this subject:—

Soenens et Perpète, LA MUTUALITÉ EN BELGIQUE.
Vermeersch, OEUVRES ET LEGISLATION. 2nd ed., p. 703.
Raoul Drion, FÉDÉRATIONS MUTUALISTES ET CAISSES DE RÉASSURANCE. Namur, Godenne, 1900.
G. Malherbe, (several pamphlets, Schepens, Brussels.)
Douterlungue, LES DIVERS SERVICES D'UNE FÉDÉRATION MUTUALISTE. *Bulletin des œuvres sociales de Tournai*, 1899.

(1) The grouping of different benefit societies around a common centre forms them into a *Federation.* The federation is *composed* of effective members—*i.e.*, the federated societies themselves—and of honorary members. The federation is *governed* by an *Administrative Council*, also called a *Federal Council* or *Executive Committee.* The supreme power is in the hands of a *General Assembly* formed of delegates from the affiliated societies.

(2) The *importance* of federated benefit societies is

shown by the great services that they perform. Amongst these may be counted :—

(i) *Re-insurance.*—This is a second insurance, effected by the insurer himself, to provide against the more important risks of which he cannot assume the sole responsibility. Frequently, re-insurance effected by a *society* has a second object :—*i.e.*, that of obtaining for all its members, or for a certain number amongst them, fresh legislative advantages.

(ii) *Interchange.*—In order that members who are forced to move about may not lose the fruit of their subscriptions, the federated societies adopt the practice of interchange. This may be effected in two ways : either the federated societies admit each other's members without any expense or formalities ; or they simply receive outside members, and fulfil all the offices that their own society would undertake for them on that society's account.

(iii) *Common organisation of certain transactions.*—As the resources of a federation are greater than those of a single society, it is able to centralise the purchase of drugs, to supply various objects necessary for the affiliated institutions at a low price, and to form a general organisation for medical visits, consultations with specialists, etc.

(iv) Lastly, a federation can do the greatest service by establishing information-bureaux, organising an active propaganda, helping the affiliated societies by fresh knowledge, and instituting arbitration councils for settling the differences that may arise amongst the various associations, or amongst their members.

The best proof of the importance of benefit societies, and of their federation, lies in the fact of their very rapid development throughout the country.

III. Old Age Pensions.

Cf. on this subject :—

LAWS OF MAY, 1900, AND OF FEBRUARY AND AUGUST, 1903.

O. Velghe, LAW OF 10th MAY, ANNOTATED. Brussels, Bauvais, 1900.—RAPPORT SUR LES TRAVAUX DE LA COMMISSION DES PENSIONS OUVRIÉRES. Brussels, Hayez, 1900.

A. Van der Mœre, PENSIONS DE VIEILLESSE. Brussels, Brants, 1903.

Vermeersch, LÉGISLATION ET ŒUVRES. 2nd ed., p. 244, etc.

The constant desire of the Belgian Government is to extend the work of the Bank Funds for annuities and insurance. With this object, it has passed a law in favour of Benefit Societies, and has tried to help every honest and thrifty labourer to get together a pension for the support of his old age.

(*a*) We will briefly summarize the chief provisions of the law in favour of workmen's pensions, which are of both permanent and transitory kind.

(1) *Permanent provisions.* The chief object of the law is to encourage workers to provide an old-age pension for themselves by free affiliation to the annuity fund and by making deposits there. To attain this end it promises :—

(i) Annual premiums of 60 centimes per franc and per deposit-book, up to the sum of 15 francs (12s.) deposited. These premiums are assignable to members of the General Annuity Bank, so long as the total sum entered in the Book entitles them only to an annuity of *less* than 360 francs (£14, 8s.) available at the age of sixty-five.

Further, it is optional with each member to deposit by reserved or relinquished capital.

The deposit may be made immediately, or by means of a Benefit Society recognised by the State. In the latter case, there is the advantage of a specially favourable system. Amongst other privileges, members affiliated through a Society have a right to the premium no matter what their social status or their means may be, so long as the amount of personal deposits, raised

from their own resources, does not exceed 60 francs (£2 8s.), for the whole year.

(ii) The State also makes *annual grants* of 2 francs. on every book in which a deposit of at least 3 francs has been entered in the course of the year, coming from private sources. These subsidies are granted to Benefit Societies constituted with the purpose of affiliation to the Pension Fund, and recognised by law. The Society itself may freely dispose of this grant, and uses it partly to pay the expenses of adminstration, and partly for the profit of the members.

(2) *Transitory Provisions.* These are regulations, formulated in addition to the above, in favour of people who have begun the deposit system for acquiring annuities too late in life to benefit fully by the other provisions. They start with providing premiums on easy terms for depositors who have reached *the age of forty* in 1900, and go on to deal with *ages up to sixty-five* from the same date :—the year 1900 being that in which the law on Old-Age Pensions came into force.

(*b*) The provincial and communal authorities are a valuable support to Government in the work of Old-Age Pensions. All the provinces, and many towns, encourage affiliation to the General Fund by offering premiums. Some of the communes have grouped their own working-classes into Benefit Societies affiliated to the Pension Fund.

Thus, the results obtained are considerable. Still, one cannot but question whether the problem of old age pensions might not be more fully solved if affiliation to the General Fund were compulsory. Experience must answer this question, and decide whether or not liberty —encouraged by Government—will prove energetic and thrifty enough to solve the problem.

Germany has made insurance against sickness, accidents, old age, and incapacity, compulsory.

Austria is following in the footsteps of Germany. *France*, by the law of June 1894, has taken a first step

on the way to compulsory insurance. (See, for details, Hervé-Bazin's book : *Traité Elém. d'Ec. pol.*, p. 442, etc.).

2. Societies for Relief

(*a*) Housing of the Labourer

Cf. on this subject :—

BELGIAN LAWS FROM JULY 1889 TO AUGUST 1897.

Vermeersch, LÉGISLATION ET OEUVRES, 2nd Ed., p. 780, etc.

Albert Soenens, LES HABITATIONS OUVRIÈRES EN BELGIQUE. Brussels, Larcier, 1894.

Pourbaix, LES SOCIÉTÉS D'HABITATIONS OUVRIÈRES (GUIDE PRATIQUE). 2nd Ed. Brussels, 1897 (Société Belge).

Malherbe, LES SOCIÉTÉS D'HABITATIONS OUVRIÈRES. 4th Ed. Brussels, Schepens, 1903.

L. Varlez, BELGIQUE, ÉCONOMIE SOCIALE (Report on the Paris exhibition.) Brussels, Vromant, 1901.

Scheyvaerts, RAPPORT AUX CONGRÈS DES OEUVRES CATHOLIQUES DE MALINES, 1902. Mechlin, Van Velsea.

Pierre Dufau, DU CRÉDIT AUX HABITATIONS OUVRIÈRES EN BELGIQUE ET LA LOI FRANCAISE DU 12 AVRIL, 1906. Caen, 1906.

Lucien Ferrand, L'HABITATION À BON MARCHÉ. Paris, Arthur Rousseau, 1906.

Jean Hebrard, LES HABITATIONS SALUBRES ET À BON MARCHÉ. (*Chron. immobilière et financière*, n. 21, 1907.)

LES HABITATIONS OUVRIÈRES EN BELGIQUE AU 1ᵉ JANIVER 1906. *Bulletin des sociétés d'habitations ouvrières*, n. 23, 1906.

[Toke, (*ed.*) A LIST OF SOME RECENT WORKS ON HOUSING AND RURAL PROBLEMS. London, Catholic Truth Society, 1908. *Trans.*]

The solution of the "Housing" question concerns both the morals and health of the working-classes. Hence it has been the object of much study and of generous self-sacrifice. The State and individuals have rivalled each other in zeal for ensuring healthy and cheap abodes to the workers.

(i) The work is embodied in the *societies for workmen's dwellings*, which are specially prompted by a spirit of benevolent charity, but which also pay their members a small interest on subscriptions.

They are of two kinds:—*loan-societies* and *building-societies*. Both of them may take the joint-stock or the co-operative form.

The *loan-societies* lend nine-tenths (as *maximum*) of the sum required for building or acquiring a workman's house. The borrower pays a yearly sum which includes the interest on the capital borrowed, and an instalment of repayment of the capital—or else a premium for "mixed insurance." In this way, the house becomes the workman's property at the end of a certain number of years.

The *building-societies* construct healthy dwellings, and let them to workmen who undertake to become proprietors of the house before the expiration of the contract. For this purpose, he pays a very small yearly surplus on his rent.

(ii) *Societies for workmen's dwellings with legislative privileges.*

Besides instituting employers' committees for propagating the work, combining resources and distributing them, etc., the law of 1889—extended and modified by subsequent enactments—gives leave to public establishments to receive gifts and legacies towards the construction of workmen's houses. It also authorises the Savings' Bank and the Pensions' Fund to intervene by making advances. This intervention must be made by an *intermediary* (a private person who acts as security; or a society for workmen's dwellings—a commune—a province, etc.); and it must be in favour of clients

with small means, able to save, and *anxious to acquire* proprietorship of the house *by annual payments,* at the age of sixty-five at latest. Lastly, the legislature grants certain particular favours in the way of reductions, or exemptions from expenses and dues.

(iii) Finally, other societies called *auxiliary,* have been established to promote the fulfilment of certain conditions. Some of these, for instance, aim at supplying workmen, at present destitute of funds, or suffering excusably from some form of distress, with the means of making the first deposit, of one-tenth beyond the expenses of the contract, which is obligatory on the borrower or purchaser.

Thanks to the exertions of the societies for workmen's dwellings and the auxiliary societies, and also thanks to the legal advantages granted, this fine work for the housing of the working-classes has produced excellent effects in Belgium. In 1905, there were 197 societies for dwellings (140 of the *Loan,* and 57 of the *Building* kind), of which 179 took the "joint-stock" form, and 18 the co-operative.

Hitherto, the legal benefits have been confined to artisans whose qualifications are recognised by the employers' committees. It is to be hoped that legislation will soon be extended to a lower class of workmen.

(*b*) Small Holdings (Coin de Terre)

Cf. on this subject:—

Prosper Saey. LIGUE DU COIN DE TERRE ET DU FOYER INSAISISSABLE. (*Revue Générale,* Oct. 1899.)

Hendrick Segers. WERK VAN DER AKKER. St Nicolas, Van Haver, 1897 and '98.

Vermeersch. LEGISLATION ET ŒUVRES. 2nd Ed., p. 818.

E. Tibaut. L'ŒUVRE DU COIN DE TERRE. (*Manuel de Propagande de la Ligue Nationale du Coin de Terre*), Brussels, Goemaere, 1907.

[*Cf.* also the bibliography added to the preceding section. *Trans.*]

This work took rise in Brussels, in 1896, under the name of "League of Small Holdings and Non-distrainable Homesteads." It owes its origin to the initiative of the Abbé Gruel and M. Joseph Goemaere.

A benefit society buys, or takes on lease, a tract of arable land; divides it into lots of about 10-12 acres (*i.e.*, about *5 hectares*: a hectare = *c.* $2\frac{1}{2}$ acres); and lends it, gratuitously, to needy, but honest, fathers of families. These till the land, and very often succeed in buying it.

The League, which has its centre in Brussels, is composed of "foundation" members who pay either a sum down of 100 francs (£4), or a yearly subscription of about 12 francs (9s. 6d.); of "accessory" members, who subscribe at least 1 franc a year (*c.* 10d.); and of "participating" members who benefit by the work.

The central committee of the League contains at least twelve members, elected by the general assembly and all the committees affiliated to the work.

The Report published by the periodical *Bulletin* of the League gives yearly details of its constant progress.

(*c*) Out-of-Work Relief

Cf. on this subject:—

L. Varlez. FONDS DE CHÔMAGE. Ghent, Hoste, 1902. —LES FORMES NOUVELLES DE L'ASSURANCE CONTRE LE CHÔMAGE. Ghent, *Nouvelle Imprimerie*, 1903.

E. Vossen. L'ASSURANCE CONTRE LE CHÔMAGE INVOLONTAIRE, PAR LES SYNDICATS OUVRIERS. *Réforme Sociale*, 1903.

L. Banneux. LES BOURSES DU TRAVAIL. (*Revue de Belgique*, 1899, etc.) — *Etude sur le Chômage*, Brussels, Wormhout, 1900.

Vermeersch. LÉGISLATION ET ŒUVRES. 2nd Ed., p. 822, etc.

[*Cf.* THE REPORT OF THE ROYAL COMMISSION ON THE POOR LAWS, London, Wyman & Sons, 1909; pp. 201-218, 628-634, 1036-1217. *Trans.*]

Unemployment brought about by strikes or lock-outs, or arising from illness or accident, is not here in question. This is the business of other institutions. We are here concerned with healthy men who are unemployed because there is no work to be had. The difficulties of being thus unavoidably out of work may be met by three forms of institution.

(i) *Labour-Bureaux.*—Their business is to *find employers.* With this object, the labour-bureau opens a local office, where employers and employed have an opportunity of meeting; it advertises offers, so as to make them public; and gives notice to those concerned of any special request for work that has been made.

The first labour-bureau of some importance was founded at Liège in 1888. In the following year the one in Brussels (*rue de l'Amigo*) was established, and many others have been started since then. They are either *municipal* or *semi-official*, and subsidised by the province or the commune; or *private.*

These bureaux have been grouped into a *Federation of Labour-bureaux* established at Liège in 1902. In many towns there is also a *registry-office*, (or *Maison de Servantes*) for women-servants: *e.g.*, in Brussels, (Boulevard Clovis); at Liège, (Boulevard de la Sauveinère), etc.

(ii) *Workshops, Houses of Labour.* These institutions *provide work*, either for the numerous unemployed of the large towns, especially in winter (*e.g.*, municipal works—chopping fire-wood—needlework for women); or for men out of work through idleness, and perforce collected in the *depôts* for paupers or the agricultural beneficent colonies.

The chief institution of this kind is the *Oeuvre du Travail* established in Brussels, which includes a *labour-bureau* for men, an *employment office* for women, and a *free working-colony.*

(iii) *Out-of-work Banks.*—The labour-bureaux try to find employers; failing this, the houses of labour or workshops give employment; and lastly, when both

these means fail there is one more resource to fall back upon; that of *procuring a daily indemnity in money.* This is the good office performed for its members by the *out-of-work Banks.*

Many professional unions actually insure their members against unemployment, and several municipalities have encouraged such unions by voting grants to "friendly" out-of-work banks. This is notably the case in Ghent, where more than thirteen thousand workmen have been insured against unemployment between 1897 and 1902.

Such are the chief modes of relief, hitherto devised, for helping men without work, and consequently without wages. We have not spoken here of gratuitous alms, but only of alms in the form of work provided, because this is what more directly concerns Political Economy.

3. Protective Institutions

We cite here, as Protective Institutions, the following *Laws*, passed by the Government to protect wages, either directly or indirectly:—

(*a*) Laws on the Payment of Wages

Cf. on this subject:—

Laws of 16th August, 1887 and of 17th June, 1896.

A. Delcroix, LOI DU 16 AOÛT 1887, AVEC COMMENTAIRE THÉORIQUE ET PRATIQUE. Ghent, Hoste, 1890.

V. Gendebien, COMMENTAIRE (de la même loi.) Brussels, Bengant, 1887.

Vermeersch, LÉGISLATION ET OEUVRES, 2nd Ed., p. 232.

The object of the legislature was to ensure the enjoyment of his wages—the fruit of his labour—to the workman. With this end—

(i) It annulled (with certain exceptions) all payment of wages to workmen otherwise than in cash, or in paper having legal currency. This measure was taken against the *truck-system*, which consists in paying part, or the whole, of wages in goods or provisions of poor quality and excessive price. On this point, the law enters into

the smallest details. To prevent all fraud, it has regulated the time and place of payment, and allows the workman to have control over the arrangements that determine the quantity and quality of his work.*

(ii) A law of July 1901, makes various stipulations about the instruments used for measuring work, and the standard of the coins used for paying the wages, to prevent their being a cause of any injustice to the workman, or a means of fraud in the employers' hands.

(iii) Lastly, by another law of August 1887, the Legislature lays restrictions on the cession and the seizure of wages, in favour of workmen, and of all *employés* whose salaries do not exceed 1200 francs (£48). The sum paid as wages cannot be seized beyond one-fifth, nor from the object of a valid agreement of cession beyond two-fifths.

(*b*) Law on the Savings of Married Women and Minors.

Cf. on this subject :—

Law of 10th February, 1900.

L. Frank, L'ÉPARGNE DE LA FEMME MARIÉE. 2nd ed. Brussels, Lamertin, 1896.

G. Abel, LOI DU 10 FÉVRIER 1900, ET SUR L'EPARGNE DE LA FEMME MARIÉE ETC., COMMENTÉES. Ghent, Hoste, 1900.

The *chief object* of the law is to give married women and minors the power of depositing savings in the General Savings' Bank, and of effecting withdrawals. The *raison d'être* of the law is to protect the savings of the weak—of the wife or the minor—from the squandering of the husband and father. The powers of withdrawal, however, of married women and minors, are restricted. Their own weakness, and the character of the matrimonial

* This last provision has now been extended to all workmen. The other provisions do not apply to agricultural labourers, nor to servants, nor to workmen boarded and lodged by their masters.

system generally in vogue, required this prudent limitation. The limits may be extended or narrowed, to a certain point, by the intervention of the Justice of the Peace, who has to decide in each particular case.

The published figures of deposits withdrawals, made by married women and minors since the Law of 1900, show the opportunities and the happy results of legal intervention in this matter.

(*c*) Law on Compensation for Accidents during Work

Cf. on this subject:—

E. Vliebergh, LAW OF 21ST DECEMBER, 1903. DE BOEREN. Maldeghem, Delille, 1900.

Ed. Van der Emissen, ACCIDENTS DU TRAVAIL. *Revue générale*, vol. lxxvi, pp. 507-520, 1902.

R. Coppyn, COMMENTAIRE LÉGISLATIF DE LA LOI DU 24TH DECEMBER, 1903. Brussels, Bruglant, 1904.

Vermeersch, LÉGISLATION ET OEUVRES, 2nd ed., p. 907.

Dumonty, LES ACCIDENTS DU TRAVAIL. *Exposé pratique de la Législation nouvelle.* Liège, Demarteau, 1904.

J. Taymans, LA LOI BELGE SUR LES ACCIDENTS DU TRAVAIL. (*Revue Soc. Cath.*, 1904.)

LA LOI SUR LES ACCIDENTS DU TRAVAIL. Brussels. *Maison de l'action Catholique*, 1905. Anon.

[Firminger, THE WORKMEN'S COMPENSATION ACT, 1906, Eyre & Spottiswood, London, 1907.

Vynne & Blackburn, WOMEN UNDER THE FACTORY ACTS, London, Williams & Norgate, 1903. *Trans.*]

The legislature, for quite ordinary reasons, may establish an obligation of compensating for damages, even when such damage has been caused inculpably. It used this right in passing the present law. Certain professions involve a serious risk of accidents from the work. The master and workman who engage in this profession as employer and employed, are supposed to

share these risks, and the expenses that they may cause, with one another. Assuming this principle, the Legislature lays upon the heads of all dangerous businesses* the obligation of giving compensation for damages resulting "from accidents happening to workmen in the course, or by the fact, of their executing the labour-contract."

"In the same case as workmen are the apprentices—even unpaid ones—as well as all *employés* who, by reason of their taking a direct or indirect share in the work, are subject to the same risks as the workmen; and whose annual salary, fixed by agreement, does not exceed 2,400 francs (£96)."

The compensation, according to the very principle on which the law is based, is partial; it includes medical and surgical expenses at the exclusive charge of the employer, for a period of six months after the accident. It also includes money indemnity, which differs according to the gravity of the accident and the amount of injury done by it to the workman and his family.

The law urges benefit-societies to come to an understanding with employers, so that, under certain conditions, they may insure with them for the payment of indemnities which may become due because of accidents to workmen belonging to the societies.

The law, in this way, gives a strong impulse to Belgian benefit-societies; and provides the masters themselves with the most economical means of insuring their *employés*.

The benefit-societies for accident-insurance are making great strides in the direction thus pointed out to them.

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* The law counts as "dangerous" industrial enterprises employing at least five workmen, and all agricultural or commercial enterprises that employ at least three workmen. A royal decree can, on the advice of the ministry of labour, bring other enterprises under the scope of the law.

CHAPTER II

Interest and Rent

Cf. on this subject:—

Brants, GRANDES LIGNES. 4th Ed., Bk. iii.—LA LUTTE CONTRE L'USURE DANS LES LOIS MODERNES. Louvain, Peeters, 1907.

Antoine. COURS D'ÉCONOM. SOC. Chap. 17, Arts: 4, 5, 6.

Hervé Bazin. TRAITÉ ÉLÉM D'ÉCON. POL. Part 4. Chap. iv.

Périn. RICHESSES DANS LES SOCIÉTÉS CHRÉT. Vol. ii., Bk. v., Chap. v., and appendix.

Ch. Devas. POLITICAL ECONOMY. Bk. iii., Chap. iii.

Leroy-Beaulieu. PRÉCIS D'ÉCON. POLIT. Pt. ii., Chap. iv.

The theory of interest and rent has been explained above: we have only to remember that capital is divided into "circulating" and "fixed." The receipts derived from capital are divided, correspondingly, into *interest* on circulating capital, and *rent* from fixed capital.

I. **Rates of Interest and Rent.**—(*a*) *Causes influencing the rates of interest.*

The rate of interest varies:—

(1) According to *the abundance of circulation and available capital.* We say *circulating* capital:—for falls in the rate of interest do not depend solely on the abundance of specie (gold and silver) but also on that of many other sorts of capital. Some have thought

that, if the amount of gold and silver suddenly increased in a considerable degree, capitalists ought to lower the rate of interest because the supply of money would also increase. But it is not so, because borrowers would immediately want larger sums for buying products; whose prices rise in proportion to the abundance of metallic currency. We have also said *available* capital. If all capital is invested; or, again, if none is offered for investment on account of a crisis or a war; then the fact of its abundance does not lower the rate of interest.

(2) The rate of interest varies according to the *productivity of industry* at the time being: current rates of interest are higher in a country, and at a time, favourable to production, as people will give more for the use of capital where more is to be made out of it.

(3) The *security* of an enterprise in which capital is to be employed greatly affects the rate of interest. People will not risk an uncertain investment unless the profit is high enough to make up for the risk.

(*b*) The *rates of rent* are affected by all the causes that increase or diminish supply or demand.

There is less danger of loss in the loan of fixed capital; therefore the capitalist may be satisfied with smaller receipts for it than he could take for circulating capital. But, in the case of the latter, he cannot exact redemption of the value of the security; and, thus, an equilibrium between the rates of interest and of rent tends to become established.

(*c*) *Several conclusions* may be drawn from the above remarks on the causes that affect the rate of receipts from capital.

(1) A fall in the rates for capital invested, in spite of assertions to the contrary made by several economists, *is not necessarily a benefit.* It is a benefit only if the fall comes from abundance of capital and from a state of public security; it is an evil, if caused by unproductiveness in the investment of capital, or from stagnation of business.

(2) Receipts *tend towards a certain degree of equality*, through the law of supply and demand, which has great influence on rates. When the receipts from an industry increase, capital—so to speak—rushes to it, and makes rates fall by its very abundance.

But if we argue, from this tendency of capital to equalise its own rates, to an absolute law,—as Ricardo and the English school did—we forget that capital locked up in an industry is not to be freed except with difficulty, and often at a loss. We also forget that entrepreneurs and manufacturers cannot turn at will from one mode of operation to another, or from one trade to another. Such changes require fresh preparation and fresh kinds of skill.

(3) Does *a progressive fall in rates* exist? Economists of the liberal school predicted that some day the capitalist will himself have to pay the borrower a tax for custody of the money that he wants to lend him.

The sole foundation for this opinion is, again, the law of supply and demand. As capital increases, the demand for it diminishes in corresponding proportion; consequently, the rate falls gradually and indefinitely. But these economists make the mistake of considering the inflexible law of supply and demand to be the only cause of variation in the rate of receipts. Other influences must be taken into account, which may keep back the movement towards a fall: such as the opening of a new market for goods, a great industrial "rush," or an unexpected destruction or exportation of capital.

Still, it remains true that, as a general rule, the rates of interest for capital in a prosperous community do tend to the lowering of receipts. Within the limits indicated, this statement is confirmed by history.

II. **Justice of Lending at Interest.**—(*a*) A moderate interest may be justly demanded on any one of the four following grounds:—

1. Loss resulting (*damnum emergens*).
2. Profit ceasing (*lucrum cessans*).

3. Risk of the Principal (*periculum sortis*).
4. Customary charge (*pœna conventionalis*).

We need not enlarge upon the lawfulness of these intrinsic titles: it has always been admitted.

(*b*) It is contrary to justice to claim interest on a *simple loan of things replaceable in kind* (*vi solius mutui*.)

What, in fact, is the contract *mutuum*? It is the surrender of a thing that can be replaced in kind: *i.e.*, a thing capable of no use beyond that in which it is consumed. To exact anything in return for it but the value of the object, in virtue of the contract *mutuum*, is to ask for more than has been given, and to violate justice.

(*c*) *Is money a thing that can be simply replaced in kind?* And are we, therefore, allowed or forbidden to take interest for a simple loan of money?

This is our answer:—Money is certainly a thing replaceable in kind—but in the present economic order, it is also something else; it has become, in a general way, productive of fresh utilities. Consequently, in our present economic condition, it is consistent with justice to take interest on a simple loan of money.

It remains to be proved, if we are to establish this principle, that *money, in our times, is generally productive of a new utility.*

(i) Capital is the "instrumental cause" of production.

Now, our modern economic state of things is based upon the constant exchange and perfect mobility of capital which could not perform its work as an instrumental cause without money, which is its *indispensable auxiliary.*

Money, then, is *mediately, virtually*, and in a general way, productive of fresh values, in the present state of society.

(ii) We may reach the same conclusion by another way. Money has the value of whatever object it represents. Sometimes that object has no use apart from its consumption, and in this case it is an injustice to

demand interest for the loan of money. But very often the object has an exchange-value; it may be used for commercial and industrial purposes. In such a case, money represents a productive thing, which possesses a use beyond its consumption; and therefore it is just, in lending, to demand the equivalent of this utility. Now, in our economic condition, the latter case is the most general with the great mass of borrowers; and, hence, in these times, it is consistent with justice to take a *reasonable* interest for a single loan of money.

The above explanation shows how—*e.g.*, in the Middle Ages, when the economic position was different from the present one—the Church could pronounce, in a general way, that interest *vi solius mutui*, was unlawful; and how also, in our own day, the Church may be less severe without inconsistency. She has, in fact, now declared that the faithful may take interest in this way without fear, until the Holy See shall have made some definite decision on the point, to which they must be ready to submit.

III. **Legislation upon lending at interest.**—(*a*) On the 3rd of September, 1807, the *Belgian* law fixed the maximum rate of civil (*i.e.*, un-commercial) loans at 5 per cent., and that for commercial loans at 6 per cent.; and declared all interest agreed upon beyond the legal rate to be usury. The law of 5th May, 1865, upset these provisions, by deciding that "the rate of interest agreed upon is to be freely determined by the contracting parties."

The law of 20th December, 1890, altered that of '65, and fixed the legal rate of interest at $4\frac{1}{2}$ for un-commercial, and $5\frac{1}{2}$ for commercial, loans.

It is much to be regretted that these legal provisions are not fully enforced. The penal code contains only the following enactment (*lib.* i, *tit.* ix, *n.* 494):—"Whoever shall have habitually made loans, in whatsoever manner, at a rate exceeding the legal interest, *and* by abuse of the weaknesses or passions of the borrower, shall be condemned to a fine of from 1,000 (£40) to

10,000 (£400) francs, and to imprisonment of from one month to a year; or to one of these penalties only."

(*b*) In other countries, the same legislative uncertainty, on the subject of usury, is observable. In *Germany* they have at last (14th May, 1880) decided that the rate of interest remains free, but that usury is punishable. Therefore, the judges have to define, in each particular case, especially according to the circumstances and tricks that may be connected with the loan, what *is* usury.

Austria (28th May, 1881), *Hungary* (2nd May, 1883), and *several of the Swiss Cantons*, have adopted the same system. In France, the law for a long time limited the amount of interest to be agreed upon; but, on the 21st January, 1886, she suppressed all limitation of the rates of interest in commercial dealings.

It is difficult to find the happy medium for legal limitation of the rate of interest, and to reconcile the true interests of commerce with the general welfare of numerous citizens who are in danger of being handed over, defenceless, to the rapacity of usurers. In order to justify legislative non-intervention on this subject, it has been said that usury is a chimerical evil, existing only amongst barbaric nations; but facts give the lie to this assertion. In *France*, at the *monts-de-piété*, whose object professes to be purely philanthropic, the interest rises to 10 per cent., and beyond. In England, (at pawn-shops) it varies between 48 and 25 per cent.; in *Ireland*, between 36 and 25 per cent.; whilst in Italy, in country places, rates have been found to go as high as 60, 80, and 100 per cent. An economist of high authority, Ch. Devas, says frankly that the nineteenth century has been called *the century of usury*, (*Pol. Econ., p.* 416, *3rd ed.*).

CHAPTER III

Ground Rent, (the share of "nature")

Cf. on this subject :—

V. Brants, GRANDES LIGNES, 4th ed., bk. iii., heading ii.
Hervé Bazin, TRAITÉ ÉLÉM. D'ÉCON. POLIT. part 4, chap. vi.
Antoine, COURS D'ÉCONOM. chap. xviii., art. 2.
Jos. Rambaud, ÉLÉM. D'ÉC. POL. part 3., chap. iii.
Ch. Périn, PREM PRINC. D'ÉCON. POL., chap. v.
Leroy-Beaulieu, PRÉCIS D'ÉCON. POL., part 2. chap. iii.

I. Opinions on the Nature of Ground Rent--(*a*) *Ricardo's Theory.* Land, says this economist, is limited and of unequal value. The most fertile is cultivated first; but, population always increasing, it becomes necessary gradually to till less and less fertile ground. *The advantage of the first kind over the second constitutes Ground Rent.*

When all the land is tilled, the proprietors have a monopoly of the rents, which they raise at their own pleasure. Rent, thus, absorbs a larger and larger portion of the national product, and causes the rates of wages and of receipts from capital to fall constantly lower. This theory is adopted by *Malthus*, *Stuart Mill*, *Say*, *Garnier*, etc.

(*b*) This opinion is strongly opposed by *Bastiat*, *Leroy-Beaulieu*, *Jos Rambaud*, *Cauwes*, *Carey*, etc. These authors go so far as to deny the very existence of rent,

and say that the income derived from land is exclusively the interest on capital employed in enriching the soil.

According to them, cultivation is constantly improving, agricultural production is unlimited, and the population increases less rapidly than do the means of subsistence. There is nothing to hinder our looking forward, in a more or less near future, to an economic condition which will increase enjoyment, and lessen—or even suppress—labour.

(*c*) The true theory of rent lies between these two extremes. Rent—so most Catholic economists declare—is double: *absolute* and *relative.*

(i) *Absolute Rent* corresponds to *that portion of the ground-product which arises from the productiveness of the land itself.* In calculating the expenses of such products, we must consider the share of capital that has been used in manuring or other forms of fertilising. This share is represented by interest. There will also be the share of labour, which is to be remunerated by wages.

Then, when wages and interest have both been deducted from the value of the produce of the earth, there will remain that which properly belongs only to the productiveness of the soil:—*Rent.*

(ii) *Relative Rent.* This is the profit resulting from the superior value of some estates to that of others. This superior value may arise either from the quality of the soil itself, or from some extrinsic advantage, such as the favourable situation of the land, accessible ways of communication, etc.

II. Existence and Lawfulness of Rent from Land.—(*a*) *Existence of Rent.*—The source of Rent is the productiveness of the land itself. Now, all soil is productive, and therefore all soil is capable of bringing in an Absolute Rent. It is true, however, that sometimes the amount to be reckoned as interest on capital employed, and the expenses of production, come to the full value of the total product, or even to more. In this case, there is no rent *in cash.*

The existence of Relative Rent is no less certain. The fact that estates vary, both as to degree of fertility and as to advantages of position, is obvious.

(*b*) *Lawfulness of the Rent.*—The soil may be a lawful object for appropriation ; this soil is productive : hence, the productive power of the soil, or *rent*, is lawful.

The same may be said of other advantages which make land (or anything else) *more* useful, and hence produce *relative rent*. Such advantages are true economic utilities, and may consequently be the objects of private ownership.

(*c*) The arguments put forward by Ricardo and Bastiat for their opinions — cited above — are in fact self-destructive. Ricardo and his disciples maintain that the order of cultivation is always *from the more to the less fertile* lands ; Bastiat and his school declare that the turning up of the soil *always begins with the least fertile* earth, which is lighter and easier to cultivate. Arguments in favour of both these views have been looked for, and found, in history : hence, neither of the two can be the exact truth.

The first-named theorists assert that cultivation is being steadily *impoverished*, whilst the others believe in the *greater and greater* productiveness of human labour by improvement of the soil. Experience proves them both in the wrong : the soil is productive, and the labour of man may gradually improve it ; but its productiveness does not increase without limit.

The first opinion *leads to discouragement*, to despair, and to an arbitrary and criminal limiting of population. The second gives rise to *dreams of happiness* which can never be realised, and deludes itself with chimerical hopes. "The experience of all ages," says Hervé Bazin (*l.c.* p. 486), "equally condemns such optimism and such pessimism : man is no more destined for certain happiness than for ever-increasing misery. It depends upon himself—upon his energy, his conduct, and his good-will—to improve his own position or to make it worse ; but he will always have to work ; and though

his work may vary as to its nature, or as to the shape it takes, it will none the less always remain hard. '*Thou shalt earn thy bread in the sweat of thy brow.*' Here lies the true solution of certain complicated and formidable problems in economic science."

CHAPTER IV

Profit (the Share of Enterprise)

Cf. on this subject :—

Hervé Bazin, TRAITÉ ELEM. Part 4, ch. vi.
Liberatore, PRINCIPÉS D'ÉC. POL. Part 2, ch. v.
Jos. Rambaud, COURS . . . Ch. xviii, art. iii.
Ch. Devas, POLITICAL ECONOMY. Bk. iii, ch. ii.

I. **Theory.**—*The entrepreneur* is the man who takes the initiative in a business, directs it, and assumes the responsibility for it. It is he who pays wages to labourers, interest to capitalists, and rent to proprietors. The remainder he keeps for himself.

Profit, therefore, is the excess in the sale-price of products over the total expenses of production.

Whatever remains of the thing produced, after all expenses of production have been re-paid, is called *net product*, as distinguished from *raw product*, which includes whatever useful things may have been produced in a business.

II. **Causes that effect variation in Profits.**—(*a*) The first cause is a remote one, and consists in *the nature of the apprenticeship* required for an undertaking. The more time this preparation has taken, and the more study and expense that have been given to it, the higher will be the profit that the entrepreneur may demand.

(*b*) The second cause is immediate, and arises from *the nature of the enterprise itself.* If the latter promises

only very uncertain profits, the entrepreneur—as he bears the risks—will keep a larger profit for himself in the event of success.

(*c*) A third cause lies in the moral and intellectual *qualities*, and the more or less highly developed *skill*, of the entrepreneur himself.

(*d*) Lastly, *external circumstances* may cause profits to vary:—abundant capital, giving rise to competition; concentration, allowing of a reduction in general expenses; a coalition amongst men of the same trade, etc., etc.

Against these causes of variation in profits must be set their constant tendency to equalise themselves by the effect of competition. Capitalists and entrepreneurs, in fact, generally go where the hope of gain is greatest; and as the number of competitors in a place increases, the chances of making a large profit diminish. Hence the tendency to an equilibrium.

We say *tendency* to equilibrium; for it must be noted that, in point of fact, this equilibrium can never be perfectly or quickly established, for the reasons given above in discussing equality of interest. It is expensive to realise capital already invested, and difficult for an entrepreneur to take up a new business.

III. **Lawfulness of Profit.** — The justice of an entrepreneur's profit has been denied, and especially by the socialists. According to them, this profit is made by a sweating-system. Nothing can be more contrary to the truth, the real facts being these:—

(*a*) *The entrepreneur directs the work.*—For doing this he must have capacities developed by labour; and he must practise close application of mind, so as to forsee dangers, superintend all details, and combine the various elements of the business. Now, this direction—which is indispensable to final success—is an appreciable economic task, and deserves remuneration.

(*b*) The entrepreneur *takes a risk* in starting the enterprise. He ought to be compensated for his chances of loss.

(c) Lastly, the entrepreneur agrees *not to consume* his riches, but to leave them to bear fruit. The sacrifice that he makes by this abstinence demands indemnity.

The mistake of the socialists comes partly from their false theory of the value of exchange. They say, with Karl Marx, that this value is communicated to its object entirely by the amount of labour required for making or preparing it. We have exposed and refuted this theory in treating of the Socialist School of Political Economy.

CHAPTER V

Population, Emigration, Colonisation

Cf. on this subject:—

V. Brants, GRANDES LIGNES, bk. vi.
P. Guillemont, ÉLÉM. D'ECON. POL., Appendix.
Ch. Périn, RICH. DANS LES SOC. CHRET., vol i.
Hervé Bazin, TRAITÉ ÉLÉM., part iv., ch. vii.
Antoine, COURS D'ÉCONOM., ch. xviii, art. vi.

Is there a disproportion between the production of riches and the growth of the population? Will the goods for distribution amongst the producers some day become absolutely insufficient to support humanity?

Such is the question put by Malthus, to which he has himself replied in the affirmative. In the last century Malthus had many disciples, and hence his theory requires examination.

I. **Population.**—(*a*) Malthus's Theory.—*First Law.* The population, as a general rule, increases by geometrical progression; every twenty-five years it is doubled.

Second Law. Means of subsistence increase only by arithmetical progression. The relations of the two are thus expressed:—

Population: 1, 2, 4, 8, 16, 32, 64, etc.
Subsistence: 1, 2, 3, 4, 5, 6, 7, etc.

Inevitably, then, at the end of a few centuries, the population will be too thick to find means of subsistence.

Conclusions.—(1) The poor man, if he cannot support a family, should remain single.

(2) All institutions favourable to growth of the population must be abolished.

(3) The Civil Authority ought to refuse all help to children born of a marriage between poor parents.

In this way, the number of births will be limited by *moral restraint*.

(*b*) THE THEORY CRITICISED.—To refute this theory we need only dwell for a moment on the following considerations :—

(i) The *period of doubling* for the population is for Servia 42 years, for Spain 79, for Germany 98, for Belgium 114, for Italy 202 :—etc. (Hervé Bazin, *l.c.*, p. 502. Note.)

To these statistics, which upset his system, Malthus replies that we must assume the most favourable conditions. To be consistent with himself, he ought therefore to draw only abstract and speculative conclusions from these principles ; but he does just the opposite, by favouring restriction of births, administrative measures, etc.

(ii) *The Example of North America*, put forward by the defenders of Malthus, proves nothing. In that country, the population has increased thanks to the emigrants ; and the growth of population has given enormous extension to the *production* of provisions.

(iii) Moreover, we are *far from having exhausted the fertility of the earth*. At least half of the world, says M. Leroy-Beaulieu (*Précis*, p. 340) :—the two Americas, Australia, New-Guinea, Sumatra, Borneo, New Zealand, and a great part of Africa, not to mention three-fourths of Russia and Western Asia :—could support a population five times, ten times, or in some cases a hundred times, as large as that now existing.

(iv) As to the *remedies advised* by Malthus for this economic state of things, so disastrous to the future of humanity, they are inadmissible. Malthus personally did not advocate crime : at least, no passage in his

writings plainly authorises us to believe that he did so. But his disciples have carried out his doctrines to their logical consequences. Some have even spoken of suffocating the newly-born in a painless way; whilst the most moderate are content to approve of practices condemned by Catholic morality. Now, an economic doctrine that leads to violation of the rules of morality, is false.

(*c*) Effects of the Theory.—The actual theory of the English economist no longer counts many adherents, but the advice given by him and by his followers has produced melancholy fruits. In many countries—and especially in France—the man who is father of a numerous family is ridiculed for his folly; and hence, in that country, the population is decreasing, by comparison with that of other countries, in an alarming manner. In 1905, the excess of births over deaths was only 32,000; and, even of this number, the largest part consisted of foreigners living in France. In England, the excess was thirteen times more considerable,* and in Germany, twenty-four times. Ten years hence, if the conditions remain as they are, France will not have gained half a million of inhabitants, whilst Germany will have gained more than 9 millions.

(*d*) Remedies.—Various remedies have been proposed for this ever-increasing depopulation:—the diminution of taxes as a family increases; testamentary liberty given to the father, etc.: but these remedies are not efficacious for the end proposed. The true cause of this systematic sterility of marriages is the decrease of Christian Faith. Until this regains its empire over populations, births will diminish. The Greece of old, according to Polybius, owed the decline of her power to the fact that the higher classes would not have children. The Roman Empire fell, as Imperial edicts, poets and historians bear

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[* *Cf.* however, Webb, *The decline in the birth-rate*, (Fabian Tract, 131), London, Fabian Society, 1907. Boyd Carpenter, *Shall the race perish?* London, S.P.C.K., 1909. *Trans.*]

witness, because the patrician hearth remained vacant; and so will France fall. Contempt for the Christian law thus involves its own punishment, according to St Augustine's thought: *jussisti enim, et sic est, ut pœna sua sibi sit, omnis inordinatus animus.* (For Thou hast commanded, and so it is, that every inordinate affection should be its own punishment). (Confessio, lib. i., cap. xii.)

Here, then, we have again clearly before us the impossibility of solving certain economic problems without appealing to the institutions, beliefs and moral precepts of the Church. "Catholic morality," says Ch. Périn, (*Richesses dans les soc. chrét*, vol. i., p. 541) "with the institutions resulting from it, provides the only solution of the population problem that offers trustworthy guarantees for prosperity, vigour and permanence, to society. It is by making a rigorous obligation of chastity in all conditions of life—by preaching chastity in marriage and in celibacy—that the Catholic Church ensures the fertility of nations, whilst keeping their expansion within proper bounds. Further, she sets society on the right road to progress by making it always tend to increase in numbers, but at the same time constantly developing in its members all their powers of work."

II. Emigration and Colonisation.—In all times, powerful nations have sent forth their surplus population into other countries:—sometimes, into uninhabited lands. Emigration and colonisation, then, are means, in any given country, of avoiding an excess of population over means of subsistence. It is on this ground that we have to say a few words about them in this chapter.

(*a*) *Emigration.—To emigrate is the act of individuals who expatriate themselves with the view of finding a field of action elsewhere.* Emigration is not equally vigorous in all countries. The spirit of adventure—penury—economic crises—all accelerate the movement in an alarming and disastrous way for the mother-country. Germany, by emigration alone, has lost over three

million inhabitants in three-fourths of a century; and the British Isles, within the same time, have lost ten millions. Ireland, above all, loses a great part of her national strength by emigration; and the same fever works in the Poles and the Italians, the latter emigrating every year to the number of seven or eight hundred thousand. In France, on the contrary, the yearly tale of emigrants is only about ten thousand.

Emigration may be a sign of strength and fertility in a country, but it may also indicate poverty and decreptitude, and show that the mother-country can no longer support her own children. If emigration is excessive, it may compromise the economic, and sometimes the political, future of a country. In our days, emigration is no longer forbidden. Governments are satisfied with protecting the lives of emigrants, and preventing the enslaving of white races. Some Governments, helped by private contributions, go still further. They furnish their emigrants with information, organise them, and find out whether their tools and their resources are sufficient for going out to seek their fortune.

(*b*) *Colonisation.—This is the foundation of a social group outside the mother-country, but under her auspices.*

It is therefore clearly distinct from emigration by its *social* character, for emigrating is only the act of a group of isolated individuals. Colonies are at the same time a means of increasing the power of the mother-city, and a source of fresh wealth. They are either colonies for peopling or colonies for plantation. The former are the most useful and lasting.

In order to have any chance of success, colonisation should combine certain conditions.

(1) It should be prepared for by an exact knowledge of the country:—of its climate, healthiness, fertility, and inhabitants; by certain general works:—*e.g.*, preliminary roads for communication, and some buildings; and by the elaboration of a system for appropriation of land.

This first part of the programme demands intervention, either of the State or of powerful companies, such as the great privileged Dutch, French, and English companies of the seventeenth and eighteenth centuries.

(2) The agricultural element must be largely represented and, in the new colony, must grow side by side with the work of the artisans and tradespeople.

(3) Grants of land must be either gratuitous or on very easy terms; and, further, must be perpetual.

It may happen that, besides its economic and political objects, the aim of colonisation may be *civilising* and *humanitarian*. This is the case in the Independent Congo State, created by the Belgian sovereign Leopold II. (*See* Vermeersch, *Question Congol.*)

Lastly, it is to be desired that nations founding colonies should never forget the highest obligation incumbent upon them, of bringing the peoples in whose midst they settle back to God.

PART V

Consumption of Wealth

PRELIMINARY REMARKS

(*a*) Consumption is *the employment or use of wealth.* It is the final term of economic operations, and the object of production, circulation, and exchange. It is obvious that the destruction of wealth by man is not its annihilation. What man could not create he cannot annihilate.

(*b*) The word "consumption" may be understood in different senses :—

(i) There is *objective* and *subjective* consumption. It is subjective when an object goes out of use (though in itself intrinsically unchanged) in consequence of new methods, of discoveries, or of improvements in machinery or in weapons.

(ii) Consumption *properly so called,* and *reproductive consumption.*

The first consists in the direct application of wealth to our needs. It appertains to food, clothing, dwellings, etc.

The second consists in destroying one value, and replacing it by another :—as in the Production of Wealth treated of in our Second Part.

(iii) *Private* and *Public* Consumption.—The first is practised by families and individuals ; the second by the State, to promote the common welfare of its subjects.

It is not necessary in Political Economy to dwell

long on the consumption of wealth. Private consumption is regulated, to a great extent, by *morality*; public consumption is largely connected with *financial science.*

We will give in two separate chapters, what it is indispensable to know of the principles of these two methods of consumption.

CHAPTER I

Private Consumption

Cf. on this subject :—

Hervé Bazin, TRAITÉ ÉLÉM., part v, ch. i.
Antoine, COURS D'ÉCONOM., 3rd section, ch. xxi.
Liberatore, PRINCIPES, part iii, ch. ii.
De Laveleye, LUXURY, 2nd ed. London, Sonnenschein and Co., 1891.
Baudrillart, HISTOIRE DU LUXE. Paris, Hachette, 1878.
Vermeersch, LÉGISLATION ET OEUVRES, 2nd ed., heading iii, section iii, ch. v, *Les Sociétés de Consommation*, p. 626.
L. Banneux, MANUEL PRATIQUE DES SOCIÉTÉS COOPÉRATIVES.

I. **Causes of Unproductive Consumption.**—(*a*) *Luxury.*—We understand by this :—*the irrational use of expensive things.*

Now, before pronouncing the use of costly and rare objects to be *irrational*, we must take circumstances into account. Luxury is, in fact, *relative*, depending on time and place, and on the condition and fortune of persons concerned.

The lawfulness of luxury has been defended by several economists, such as Leroy-Beaulieu and Block ; luxury, nevertheless, is condemned by both *morality* and *charity* ; and even by *economic science.*

(i) Material goods were given to man for the satisfaction of real needs ; but luxury helps to satisfy vanity

and sensuality, and therefore is contrary to the natural order of things, or natural law.

(ii) Luxury proceeds from exaggerated self-love. Hence, it chills the love of one's neighbour, and diminishes the resources naturally intended for the purpose of almsgiving.

(iii) Luxury is a barren expenditure of capital, which might have been applied to production, and is therefore condemned by the principles of economic science. It is of no use to say that luxury only makes capital to circulate; it does make it circulate, but it also scatters it amongst a crowd of people, and in this way lessens its productiveness. Luxury is condemned by most economists, such as: Hervé Bazin, Antoine, Liberatore, J. B. Say.

Governments themselves have tried, on various occasions, to restrict luxury by *sumptuary laws*, but always in vain. There is no real remedy for this evil but the virtues of humility, simplicity, self-denial, and beneficence, taught by Christianity.

(*b*) *Absenteeism* is another cause of barren consumption, and consequently hurtful to the economic situation of a country.

Rich landed proprietors draw great riches from their estate through the work of the farmers, and then spend them abroad. No portion of these riches comes back to the land, or is applied to agricultural improvements or the development of local industry. The country, in consequence, is forcibly impoverished. Absenteeism is one of the causes of poverty in Ireland, and explains the great movement towards emigration that has gone on in that country since 1850.

II. **Means of Economic Consumption. Co-operative Societies for Consumption.**—(*a*) The *immediate and economic object* of co-operative societies for consumption is to provide good commodities at low prices for their clients. Besides this, they have generally a *higher end*, either political or social.

In order to succeed they deal, by preference, with

industries that find a ready and widespread market; hence the success of bakeries, breweries, and grocery-stores. With the same object, many of these societies join to the operations of buying and selling that of production, and sell not only to their members but to any customers who may apply to them.

(*b*) The members of these associations pay a small subscription, generally ten francs (8s.). Co-operative societies, thanks to the amount of goods sold, can adopt a tariff in buying lower than the ordinary price. The benefit arising from this is variously employed according to the spirit of the different associations. Some use it for ensuring old age pensions, relief allowances, or savings'-bank deposits to their members; others—such as the *Vooruit*, a socialist society in Ghent—devote part of the profits to a political propaganda; whilst others merely divide it, every three, six, or twelve months, among the subscribers and purchasers, in proportion to their outlay and their purchases.

(*c*) Co-operative societies have been *greatly extended* in Belgium, especially since 1883. The first for power of organisation is the above-named one, the *Vooruit*, founded by Anseele in 1873. It has been copied by numerous co-operative societies in its own country, and even in others.

The *Maison du Peuple* of Brussels, founded in 1884, the *Progrès* of Jolimont, the *Concorde* of Roux, and several other associations, are very flourishing.

The Catholic co-operative societies are less flourishing, though several of them have grown greatly. They often adopt the "joint-stock" form. We may name: the *Co-opérative des Ouvriers réunis*, established in the Faubourg de Charleroi, the *Beste Brood* of Antwerp, the *Bon Grain* of Morlanwelz, the *Bon Pain Bruxellois*, etc.*

* The Belgian Boerenbond, and other agricultural leagues, transact bargains for their associates, with the object of economical consumption.

These co-operative societies—socialist, Catholic, and others—do not succeed equally well in all departments. The sale of neither meat nor stuffs lends itself easily to the co-operative system. Grocery and drug stores, and also breweries and bakeries, on the contrary, are well adapted to it. In several towns —Liège, Brussels, Antwerp, Ghent, etc.—they have even established economic kitchens on the co-operative plan, which provide good and well-cooked food at a low price.

(*d*) The *usefulness* of co-operative societies is sufficiently proved by their extension, and by the beneficial influence that they have upon their members. Moreover, they prove a very efficient means of political and social propaganda. The associates, coming to make purchases, return to amuse themselves, to learn, to discuss their various interests, or to enrol themselves in other institutions grafted on to the original work.

Hence it is supremely important, where there is any chance of success, to oppose Catholic societies to socialist ones ; and no less so to establish them where socialists have not yet started any. Still, it is sometimes prudent to delay the founding of such institutions, as the interests of the small tradespeople, and the ruinous competition with them that may be raised by co-operative stores, must be considered. This difficulty might be solved if it were possible to combine the small dealers themselves in co-operation ; but in many cases it would be hopeless to attempt this because of the rivalries amongst them, their old-established custom, their debts to customers, etc.

It is the business of practical men on the spot, in each case, to judge of a right opportunity for establishing these associations. Only, no hesitation is allowable where an attempt on the part of socialists to plant themselves is foreseen. It is therefore to be hoped that the practical Catholics of Limbourg will not let the

socialists get ahead of them. The latter are certain to attempt, there as well as in other coal centres, to found societies, especially co-operative bakeries on the model of *Vooruit.**

* *See*, for the organisation of this society, L. Varlez, *La fedération ouvrière Gantoise.* ("Musée Social," January 1899), and: Destreé et Vandervelde, *Le socialisme en Belgique.*

[For the history of co-operation in England, *cf.* Webb, *Co-operative movement in Great Britain.* London, Sonnenschein, 1899. Fay, *Co-operation at Home and Abroad.* London, King, 1908. *Trans.*]

CHAPTER II

Public Consumption

Cf. on this subject :—

Jos. Rambaud, ÉLÉMENTS. Part iv, ch. iv.
Hervé Bazin, TRAITÉ. Part v, ch. ii.
Ch. Devas, POLITICAL ECONOMY. Bk. iv.
Liberatore, PRINCIPES. Part iii, chs. iii and iv.
Leroy-Beaulieu, PRÉCIS D'ÉC. POL. Part v.
Guillemerot, ÉLÉMENTS D'ÉCON. POL. Ch. iii, art. vi.
Georges Bigwood, LES ORIGINES DE LA DETTE BELGE. Brussels, Vromart, 1906.
For the question of public loans, *Echo de l'Industrie*, No. 10, 1907.

ART. I

Taxes

I. **Theory.**—(*a*) *A tax is a subsidy levied on the possessions of citizens, to supply the public needs.*

By ensuring individual safety, carrying out certain works of public utility, and protecting the frontier against invasion, the State acts for the good of all her citizens; therefore they ought to help her to meet the necessary expenses of these various services.

(*b*) Taxes should be exacted according to certain rules :—

(1) They should be *just*, by being proportioned to the advantages derived by each one from the social order of things.

(2) They should be *certain*:—clearly determined, both as to the sum to be paid, and as to the form and period of payment, so that nothing shall be left to the will of the tax-collector.

(3) They should be *convenient*:—*i.e.*, levied at the times and under the forms least burdensome to the tax-payer.

(4) They should be *economical*, by avoiding expenses of collection as far as possible.

(*c*) The taxes should be levied, not on capital, or money being used for production, but on the *income* of such capital. On this point, economists are usually agreed. But here another question arises:—*Should taxation be in proportion to incomes, or should it be progressive*?

Taxes are "progressive" if the tariff rises in proportion to the value of the property on which they are levied. The owner—*e.g.*—of an income of 20,000 francs (£800) might pay twenty per cent. in taxes; the man with an income of 50,000 francs (£2000) might pay a tax of thirty per cent.; and the one whose income amounted to 100,000 francs (£4000) might be taxed forty per cent.

The following arguments, particularly, have been put forward in favour of progressive taxation:—

(i) For a tax to be just, the sacrifice demanded of the different contributors must be morally equal.

Now, to exact a tax in the same proportion from all incomes, is to impose on the lower classes a greater relative sacrifice than on the well-to-do ones. The man who has only an income of 1000 francs (£40), and has to give 100 (£4) of them to the revenue, makes a heavier sacrifice than the richer man who gives up 10,000 francs (£400) in taxes out of an income of 100,000 francs (£4000). One is giving of his necessaries, the other of his superfluities.

(ii) *Distributive* justice requires that society should provide each individual with advantages in proportion to his rights. But the poor man has a greater right to

existence than the rich to what is superfluous; therefore, society should impose upon rich and poor a system of taxes that is not based on an equal percentage of income, but that is progressive. (*See* Taparelli, *Droit Nat.*, vol. I., p. 357; *See also* Liberatore, *l.c.*, p. 340, *and* De Pascal, *Pouvoir Social et Ordre économique.**)

(iii) The socialists add to these a third argument:—that of the levelling of fortunes, which progressive taxation would bring about. This levelling, they say, is required by justice; therefore progressive taxation ought to be introduced.

"Proportional" taxes (those based on an equal percentage of incomes) have also their supporters. Their chief arguments are as follows:—

(i) The tax to be paid should be in direct relation to the amount of income enjoyed by any person under the protection of the State. It is justice that demands this proportion.

Now, the protection of the State increases, not progressively, but in proportion to the amount of its revenues. Therefore, the tax to be paid ought to be "proportional" and not progressive.

(ii) Taxes ought to affect *riches*, not the rich man as such. Now, it seems that progressive taxation aims especially at the rich—at the well-to-do class—and not at riches.

(iii) Taxation ought not to discourage industrial activity and thrift; if it does so, it works more harm than good to society. But progressive taxation gives rise to these disadvantages, and to some others, such as hatred and antagonism between different classes.

(iv) Progressive taxes lend themselves to caprice:—they depend upon the taste and habits of those in power. It is impossible to fix the rate of progression by an invariable rule. For instance, supposing that a man

* These authors admit progressive taxation *in principle*: but as to the *mode*, they advise the "super-tax," which is a modification of the progressive system properly so-called, desired by the socialists.

with an income of 1,000 francs (£40) pays 10 per cent. on it; why, on an income of 50,000 (£2,000) should 30 per cent. be paid to the revenue rather than 20 per cent., or 40 per cent.?

(v) Lastly, progressive taxation has the fault of favouring socialist ideas. "It is even," says Ch. Périn, "a socialist invention, which, if admitted as a general principle, must result in bringing about, under the form of taxes, expropriation of the upper classes; and in imperceptibly exhausting the capital which feeds labour."

It is impossible to deny that there is some truth in the first of these opinions, especially in the first argument. Hence, in countries where "proportional" taxation is practised, they take care not to start the application of the system till incomes reach a certain sum. Incomes below this sum—*i.e.*, generally speaking, an amount strictly necessary for the support of the individual and his family—are either altogether exempt, or taxed in lower proportion. This is called *degressive* taxation.

II. Division of Taxes.—*Taxes are direct or indirect.*

(*a*) *Direct.* Amongst direct taxes (though on this subject authors are not quite agreed) may be named :—

1. Taxes on people. These are raised on all who enjoy the rights of citizenship, and who are not indigent.
2. Taxes on land.
3. Taxes on houses, doors, windows, etc.
4. Taxes on the exercise of certain offices or professions (licences or patents).
5. Taxes on the transfer of property by gift or succession, or at onerous rates.

The principal direct taxes in Belgium are enumerated in the Constitution, Art. 110-113.

(*b*) *Indirect.*—Indirect taxes may be reduced to three classes :—

1. Those imposed upon home production before consumption :—excise, taxes on beer, alcohol, sugar, salt, etc.

2. Those collected on the frontier, upon exported and imported goods (*customs*).

3. Those that result from monopolies, or from industries belonging to the administration. In this branch, Government reserves for itself a certain number of industries:—*e.g.*, the manufacture of tobacco, of playing-cards, of paper, matches, etc. It is with this class of taxes that the State Domain, whether public or private, is connected. The public domain comprises portions of territory that cannot be private property, such as ports, rivers, canals, etc. The private domain consists of certain other portions of territory, reserved for itself by the State as if it were a mere private individual.

ART. II

Public Debt. Loans

I. **Public Debt.**—Public debt arises from various causes:—the carrying out of extraordinary public works; war expenses; a deficit in the budget, etc. Hence it is not always a proof of poverty in a State. It may be divided as follows:—

(*a*) The *perpetual*, or *consolidated, debt*, which arises from money borrowed by the State on condition of its remaining free to refund the capital when it sees fit, and of meantime paying interest to the lender, who can never reclaim his capital.

(*b*) *The redeemable debt.* In this form of debt the capital is compulsorily repaid at the end of some years. The means employed by Government for effecting this redemption is the annual entry of a certain sum in the budget.

(*c*) *The floating debt.* This comprises every engagement that the State undertakes to fulfil on short notice.

(*d*) *The running debt.* This chiefly consists of military and civil pensions, paid yearly by the State.

II. **Loans.**—(*a*) *Theory.*—A loan is the means habitually employed by States for paying off their debts.

Taxes do not always bring in enough to meet all the public expenses; and in this case it is necessary to borrow.

Moreover, it is just that debts, contracted for the carrying out of works such as future generations will profit by, should be paid off by the tax-payers of several generations. Now, the system of borrowing makes this distribution possible because, until the borrowed capital is re-funded, the interest on it must be annually levied on the incomes of the tax-payers.

(*b*) *Modes of borrowing.* — (i) *Borrowing on life-annuities.* The State undertakes to grant a life-annuity (of which it fixes the amount), at the moment of entering into possession, etc., to all who pay into the Treasury a certain fixed sum. This mode of borrowing has the advantage of limiting the State-burden to the period of one generation.

(ii) *Loans redeemable at a fixed rate.* The State, in making this contract, undertakes, besides the annual payment of interest, to pay off a portion of the borrowed capital yearly. (*See* above: *redeemable debt.*)

(iii) *Irredeemable loans.* The State, by this contract, does not promise the re-funding of the capital borrowed, but reserves the right of paying it back at any time that may be advantageous. This is the commonest mode of borrowing at the present time.

In the above three modes of borrowing, the money may be provided by a public subscription, in which everyone has a right to join; and through the medium of bankers, who, on their own responsibility, buy shares in the public funds. These shares have a fixed interest:—*e.g.* 3 or 4 per cent. on nominal capital. The State, whilst acknowledging the debt of — say — 100 francs, (£4), (*nominal capital*) may, acccording to the credit enjoyed by it, and the value of the shares in the market, (the *Bourse*, or Stock-Exchange), sell these shares for a price higher or lower than the 100 francs, *i.e.*, "above or below *par*."

If the shares are issued below *par*, as is commonly

the case, the subscriber hopes to make a certain sum—a *premium on repayment*—when the State pays off the debt at *par*. For instance, the French State, in 1871, issued shares below *par* at 84 francs (interest at 5 francs). If some day the Government finds it convenient to pay off at *par—i.e.*, at 100 francs—the subscriber will have a premium of 16 francs.

Not all the shares thus issued are circulated amongst the public; many of them remain in the hands of the bankers. These shares, which are called "*non-negotiable*," form part of the funds upon which the operations of the Stock Exchange turn. These operations themselves constitute *supply and demand*; and, from supply and demand, results what is called the *state of the stock-market.*

(*c*) *Conversion and redemption of loans.* 1. *Redemption.* One chief mode of cancelling the public debt contracted by these loans is to buy back, in the market, the shares that are for sale, and to cancel them. This process is called *redemption.*

2. *Conversion.* The State, as a rule, borrows only in times of crisis. It follows that it usually borrows on hard conditions. When the economic position improves, it proposes to the lenders either to pay them off at par, or to convert their shares into new ones, at a lower rate of interest.

This act, whereby a Government compels its creditors to choose between the paying back of their loan and diminution in the rate of interest, is called *conversion.*

Redemption or *conversion* of loans is the duty of every State interested in the welfare of a country. Interest that has to be paid yearly to creditors is a perpetual burden on the tax-payers:—a burden that is unproductive, that exhausts national industry, paralyses the enterprise of producers, and threatens to become overwhelming if any great political shock—such as a war—occurs to aggravate it.

Provident Governments have always made great use of conversion for reducing their debts. To take only

one instance, England began in 1715 to lessen the rate of interest that she paid to her creditors. From 6 per cent., as it had been, it was lowered to 5 per cent.; in 1729, to 4; in 1749, to $3\frac{1}{2}$ and 3. The Seven Years' War and the War of Independence caused fresh borrowing at 5 per cent.; but in 1822 the rate of 5 was reduced to 4; in 1834 to $3\frac{1}{2}$; in 1854 to 3; in 1888, to $2\frac{3}{4}$, up to 1903; and lastly, from 1903 to 1922, the State will pay its creditors $2\frac{1}{2}$ per cent.

If the State cannot fulfil its engagements with the lenders, it negotiates *arrangements** with them. An "arrangement" assumes insolvency; and the State, being all-powerful as against individuals, may be tempted to admit into these settlements only such clauses as are favourable to its own interests. Arrangements were made in this way by Spain, in 1831 and 1876; and by Portugal in 1892, etc.

The above principles of issue, conversion, and redemption, are of course not applicable to State transactions only. Their various operations are daily carried on by private industrial societies.

ART. III

The Budget

I. **Theory.**—In order that public consumption may not bring economic ruin on a country, the economic operations of the State must be controlled and foreseen. *The act by which the receipts and expenditure of a State are annually provided for, controlled, and legalised,* is called "the Budget."

The budget is *prepared,* according to modern constitutional systems, by the *executive* power, which alone is in a position to judge of the needful diminishing or increasing of expenditure in the different services:—in agriculture, railways, public worship, etc.

* Also called "Provisional Settlements," or "Provisional Extensions of Loan."

The budget is annually *voted* by the *legislative* power: —in the Upper and Lower Houses.

The budget is *put into force* by the *executive* power. All the receipts from taxes, and all expenditure, are placed in the hands of the Minister of Finance,* on whom the various special financial departments depend.

The budget is *controlled* by *Parliament*, to which Ministers submit the detailed accounts of receipts and expenditure.

II. **Division.**—The budget is *ordinary* or *extraordinary*. The first consists of the permanent and regular expenses which recur every year: teaching, public worship, law, army, navy, arrears of public debt, etc. These are met by the taxes.

The *extraordinary budget* consists of outlays that the taxes cannot cover, such as the expenses of a war, or the purchase or construction of a state railway. These are generally provided for by borrowing.

Lastly, there may be unforeseen circumstances, calling for the employment of sums that exceed the resources of the budget voted. In this case, *additional grants* are voted.

III. **In Belgium,** the computation of *receipts* for 1907 came to 596,570,430 francs. The *expenditure* foreseen was 596,036,392 francs, which gives an estimated *surplus* of 534,038 francs. The increase of expenditure over that of 1906 amounted to more than 29 millions, of which $18\frac{1}{2}$ was for railways.

In the budget of 1907 the *fund for the redemption of public debt* (the *Sinking Fund*), amounted to 12,641,000 francs.

The surplus for 1905 was 10,849,000 francs. During the last ten years the surpluses have amounted to the sum of more than 89 millions.

On 1st January, 1906, the *consolidated public debt* amounted to 3,220,934,123·12 francs.

On the 1st of January, 1907, it had risen to

* In England, the Chancellor of the Exchequer.

3,285,477,850·56 francs : *i.e.*, there was an increase of 64,532,927·44 francs.

This increase does not imply an unfavourable economic position. The Belgian economic machinery, in point of fact, is being perfected just in proportion to the growth of the public debt ; and, by its productiveness, covers the changes on the successive loans contracted by the country.

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